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the most
Compassionate and Merciful

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IN THE NAME OF GOD

Table of Contents

The Inspection on the Conduct of Relations with Iran

Relations with Iran 1

Preface 4

List of Principal Officials 5

Table of Contents 6

Overview 8

I-Policy 11

II-Management 14

Table 1. List of All Resource Recommendations 18

Table 2. Summary of Recommended Position Changes 20

No.1- Country Directorate 21

No.2- Post Management 24

No.3- Political Affairs 29

Political/Military Affairs 31

Labor Affairs 32

No.4- Economic/Commercial Affairs 34

Economic Unit 35

Commercial Unit 36

Joint Commission 38

No.5- Consular Affairs 40

Management 40

Visas 41

Consular Personel Resource and Training 44

The Problem of Student Visas 45

No.6 a-Administrative Operations 48
No.6 b-Personel Operations 51
No.6 c-Budget and Fiscal Operations 56
No.6 d-Communications and Records 62
No.6 e-General Services Operations 65
Contracting for Services 65
Inventory Control 68
Housing Policy 68
Motor Pool Operations 69
No.6 f-Medical 71
No.6 g-Real Property 74
No.6 h-Security 77
N0.7- Personel Evaluation 82
No.8 a-Consulate Isfahan..... 84
Introduction 84
Consular Affairs 87
Administrative Affairs 89
No.8 b-Consulate Shiraz 94
Introduction 94
Consular Affairs 94
Administrative Affairs 97
No.8 c-Consulate Tabriz 100
No.9 a-Other Agencies: Department of Definse 104
No.9 b-International Communication Agency 107
No.9 c-The Drug Enforcement Agency 110
No.9 d-Department of Agriculture 112
No.9 e-The United States Trade Center in Tehran 115
No.9 f-Internal Revenue Service 119
No.10 a-Other Activities: The Tehran American School 122
No.10 b-The U.S. Employees' Association 124
No.11- Scientific Affairs 127

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Inspection Report

THE CONDUCT OF RELATIONS WITH IRAN (NEA/IRN)

Office of the Inspector General

SEPTEMBER 1978

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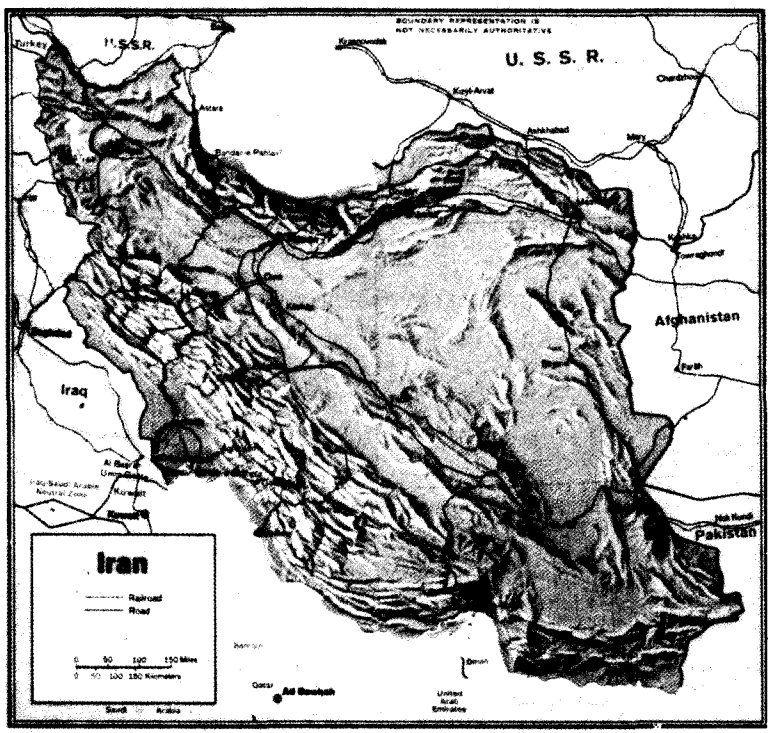

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DEPARTMENT OF STATE

OFFICE OF THE INSPECTOR GENERAL

INSPECTION REPORT

ON

THE CONDUCT OF RELATIONS WITH IRAN (NEA/IRN)

September 1978

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This Inspection Report is an internal report of the Department of State and a direct part of the deliberative process of the Department. It evaluates the effectiveness of policy and efficiency of management. It is intended for the Secretary of State and his principal officers and makes recommendations to them concerning changes in policy and management.

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PREFACE

Inspection Reports provide an overall management evaluation to meet the inspection requirements of sec. 681 of the Foreign Service Act of 1946, as amended, and the financial and management audit requirements of sec. 113 of the Budget and Acconting Procedures Act of 1950, as amended and as implemented by Federal Management Circular 73-2 of September 27, 1973. This Inspection included appropriate tests to evaluate the effectiveness of internal controls and management operations, but a detailed examination of all transactions was not made. The Inspection took place in: Washington, 5/15-5/30/78 and 7/14-7-31/78; Tehran, 6/2-7/10/78; Tabriz, 6/19-6/20/78; Shiraz, 6/21-6/22/78; Isfahan, 6/28-6/29/78.

Charles T. Cross
Senior Inspector

Alan W. Berenson
Inspector

Lawrence A. Fowler
Inspector

Kenneth N. Rogers
Inspector

Virginia Weyres
Inspector

LIST OF PRINCIPAL OFFICIALS

Embassy

Ambassador	Hon. William H. Sullivan
Deputy Chief of Mission	Charles W. Naas
Sections Chiefs:	
Political	George B. Lambrakis
Economic/Commercial	Roger C. Brewin
Consular	Louis P. Goelz
Administrative	Henry R. Mills
	Robert L. Gingles

Other Agencies

Dept. of Defense: US Military Mission to Iran	MGEN Philip C. Gast, USAF
International Communication Agency	Jack H. Shellenberger
Dept. of Justice: Drug Enforcement Agency	Peter Dedich
Dept. of Agriculture	Paul J. Ferree
Dept. of Commerce: US Trade Center	Brooks Ryno
Dept. of the Treasury: Internal Revenue Service	Marilyn Ryno

Consulates

Tabriz	Michael J. Metrinko
Shiraz	Victor L. Tomseth
Isfahan	David McGaffey

TABLE OF CONTENTS

OVERVIEW (buff pages) 1

I. POLICY 4

II. MANAGEMENT 7

Table 1. List of All Resource Recommendation 11

Table 2. Summary of Recommended Position Changes 13

* * * * *

INSPECTION MEMORANDA (available separately)

	Memorandum
The Office Directorate (NEA/IRN)	1
Post Management	2
Political Affairs	3
Economic/Commercial/Affairs	4
Consular Affairs	5
Administrative Operations	6.a
Personnel Operations	6.b
Budget and Fiscal Operations	6.c
Communications and Records	6.d

TABLE OF CONTENTS
(continued)

	Memorandum Number
General Services Operations	6.e
Medical Unit	6.f
Real Property	6.g
Security	6.h
Personnel Evaluation System	7
Isfahan	8.a
Shiraz	8.b
Tabriz	8.c
Department of Defense	9.a
International Communication Agency	9.b
Drug Enforcement Administration	9.c
Department of Agriculture	9.d
Department of Commerce: US Trade Center	9.e
Internal Revenue Service	9.f
School	10.a
Employees' Association	10.b
Scientific Affairs	11

* * * *

CHECKLIST OF RECOMMENDATIONS (available separately)

OVERVIEW

Iran will be of great importance to the United States for the foreseeable future. Its strategic location, its oil and gas resources and its political influence with other countries in the area, all taken together, mean that Iran's development and viability have a direct effect on certain vital interests of the US and our NATO allies.

Iran is the capstone of the buffer zone between the Soviet Union and the oil rich Arabian Peninsula. While the US takes only five percent of its oil, Iran is a major supplier for Japan and Western Europe and is an important element within OPEC in determining oil prices. It also plays an increasingly active regional role aimed at promotion of the peaceful development and independence of the Persian Gulf states and limiting Soviet influence in that crucial area. Finally, Iran is the site of some unique US intelligence facilities which would be extremely difficult and expensive to duplicate or locate elsewhere.

Relations between the US and Iran are good. For more than 30 years we have worked together on matters of high national interest to both countries, and during this time we have established working habits and ties - including those between the Shah and successive US presidents - which are productive and close. This condition has continued into the Carter Administration. The President has been personally involved in major decisions concerning policies towards Iran and has already exchanged visits with the Shah. In Tehran the Ambassador has regular and easy access to the Shah.

Nevertheless, there are several policy issues which create difficulties between the two countries. These revolve around human rights, arms sales, and our nuclear non-proliferation policies. Feelings have run high within the USG on how best to deal with the Shah on each of these issues, but our approach has generally been one of quiet pressure by the President, the Secretary and the Ambassador on down. We have not made aggresive

demands or taken actions that might endanger our broader interests.

This form of diplomacy has been modestly successful so far: some improvement in the human rights situation, with the possibility of a favorable trend developing; a realistic dialogue with the Shah on arms purchases; and the initialing of a prototype nuclear cooperation agreement containing all the essential non-proliferation safeguards we require.

Our relations with Iran are well-managed. Highest level interest and attention in Washington help assure that timely decisions are made on questions involving Iran. A hard-working and highly qualified Country Directorate staff has developed effective working arrangements with other agencies, particularly DOD and the intelligence community. Within the Department, the Directorate has had some sharp differences with HA and PM over how to handle the practical aspects of our human rights and arms sales policies; nevertheless, coherent actions have emerged in the end. The Country Director is now quite rightly putting a renewed emphasis on longer-range perspectives and more systematic planning on how to deal with these recurrent issues.

The Ambassador is very much in charge of his Mission in Tehran and all USG agencies represented in Iran operate fully in accordance with the President's letter of October, 1977. Now into his second year in the country, the Ambassador has enlarged the Embassy's contacts to cover a wider group of Iranians including some who are opposed to the Shah. Similarily he has encouraged ICA-Iran to expand the audience for its efforts to newer elites not reached previously. Our military assistance programs are being tightened up under an energetic and sophisticated MAAG Chief and some highly sensitive intelligence matters are being dealt with forthrightly.

Personnel resources are adequate and the quality of personnel is good with no real weaknesses except in Isfahan and the Commercial Unit in Tehran. The

Mission's work is enhanced by the consulates in Tabriz, Shiraz and Isfahan which provide needed services to the ever increasing numbers of Americans in Iran, supplement the Embassy's political reporting and could, if properly guided and supported, add to the Mission's commercial activities.

Despite the difficulties of living and working in Tehran, with its traffic congestion which must be the worst in the world, its heavy pollution and its cultural problems, morale in the Mission is fairly good. Spouses are better able to endure life in Tehran because of opportunities for employment, especially at the Embassy, and because of management's attention to family needs.

Physical facilities on the Embassy compound are adequate for present needs although extensive restoration and repairs to certain buildings are required. New construction is essential to house the Consular Section which is now operating in unacceptable quarters.

I. POLICY

Iran is a country of exceptional strategic importance by virtue of its location, oil resources and political influence in the area. US policies aim at the continuation of a stable, responsible and friendly country which would (a) offer the US and its allies strategic military and intelligence facilities and access to its oil and markets; and (b) play a constructive regional role, including the limitation of Soviet influence in the area. These policies have worked so far.

Although the US has a bilateral Defense Cooperation Agreement with Iran, concluded in a CENTO context in 1959, there are certain political and psychological constraints on US support of the Government of Iran (GOI) which have not existed in the past - at least not to the current extent. These are centered on human rights, arms sales and our nuclear non-proliferation policies, each of which raises acute problems with the GOI. Great skill and subtlety are required to reconcile the carrying out of these policies with the achievement of our overall objectives cited above.

The Inspectors believe that we have partially succeeded. Quiet but steady pressure by the Ambassador has resulted in rather modest but still noticeable improvements in the human rights situation, and the Shah's liberalization program hopefully will continue the trend. While sales of US military equipment and related training to Iran are enormous, the guidelines are being adhered to and sales closely monitored without either undermining our relationship or detracting from Iran's military capability. A US/Iran bilateral nuclear cooperation agreement was initialed in Tehran in July 1978, the first of its kind. It provides for Iran's nuclear development within safeguards acceptable to us and should be a model and incentive for further such agreements.

Certain serious problems remain, however. Limits on the overall dollar costs of military sales, for

example, make it difficult to plan as the costs of spares and maintenance of equipment already purchased cut deeper and deeper into the total sums allotted to Iran. The Shah's desires for increasingly sophisticated equipment raise questions of genuine military needs and the effects on Iran's economy of some of the crushingly expensive hardware he would like to buy. These issues are wrestled with vigorously within the USG but the Inspectors are not sure how squarely they are faced by Iranians; it will be a major task of US diplomacy to inject realism and balance into the arms sales aspect of our relationship with Iran.

A related problem concerns the size of the US presence, now estimated to be over 40,000. The major proportion of this large number of Americans in Iran are there because of military connected activities. Most are not accustomed to working abroad as civilians; and their families are not attuned to living in a relatively conservative Moslem society. Consequently, there are huge public relations and protection problems which constantly beset the Embassy and its constituent posts, Isfahan in particular. The Mission is doing quite well in leading and supporting efforts to ease the adjustments for these Americans, and the GOI, which is paying for this presence, has been generally cooperative. However, the most important role for the Embassy lies in trying to keep the larger programs on schedule so as to minimize the time and therefore the number of Americans who are in the country. Our military assistance officers under the direction of the Ambassador have some leverage in achieving this objective, for example, by insisting on incentives and goals in contracts with US firms that stimulate timely completion of projects and phasing out of US contract personnel.

One issue which needs attention concerns Iranian students. There are estimated to be upwards of 60,000 Iranians studying in the US and the number is sharply increasing each year. Many of these students are not qualified or properly motivated, with the result that they are ripe for agitation and engage in political activities - often violent - which irritate Americans and create stresses in US-Iranian relations. At the same

time, of course, Iranian students represent a great potential resource for actually enhancing these relations as well as contributing to the development of Iran in directions we would like to see. What is needed is some general agreement within the USG as to how we should work on the problem. The Inspectors have recommended the formation of an inter-agency study group which would establish criteria and plans for student visas (level of English, secondary school grades, etc.), kinds of orientation which should be given Iranians before they come to the US, and methods of student counseling while the student is here.

The Inspectors found the mechanisms for the the development and coordination of policy to be effective both in Washington and in the field. The most recent country policy documents, the 1977 PARM and the 1978 GORM were prepared in accordance with the Department's guidelines and clearly identified issues and concerns. Although, Iran receives attention at the highest level within the USG, decisions made at the White House or on the Seventh Floor are passed down and the Inspectors have the impression that the Country Director is kept fully informed. Inter-agency coordination in Washington is difficult because there are so many powerful agencies and differing points of view involved in Iran matters that there are some sharp confrontations, but issues are eventually resolved, perhaps because of high-level interest. Communication on policy matters between Washington and the Mission in Tehran is excellent.

II. MANAGEMENT

Our relationship with Iran is sharply focused on the Shah himself since the decision-making process in Iran emanates from the Peacock Throne. The effective execution of US policy in Iran, therefore, depends to a remarkable degree on access of the Ambassador and ranking members of his staff to the Shah and a rather small circle of officials who have influence with him. The Ambassador has easy and regular access to the Shah. Two other officers also see him but to a lesser and more limited extent under the control of the Ambassador. The Mission as a whole is well-connected at all levels of the GOI with the relationship extremely close between US military assistance officers and their counterparts. Each of the Consulates has likewise developed good contacts with the local officials. In Washington the Country Directorate has established a full-range of useful working arrangements with other elements of the USG concerned with Iranian affairs.

The Mission in Tehran is properly managed considering its size and the complexities of doing business in Iran. The Ambassador is well-informed on the details of operations and is actively involved in all but the most routine of them. The newly arrived DCM, with extensive experience in Iranian affairs, has taken hold well and served as Charge during most of the period of the Inspection. The Ambassador relies on the DCM to act as the executive officer of the Mission: to oversee the daily operations of the Mission; to see that all elements carry out their assigned responsibilities; to coordinate the Mission's programs and to resolve jurisdictional and other disputes between Mission elements.

Communication between Washington and the field on routine operational matters is adequate with no notable deficiencies. On policy or higher priority subjects it is fast and thorough. Because of the comprehensive character of the daily staff meeting, there is a free-flow of information at the section and agency head level but there are gaps further down the line, particularly in the consular and administrative sections. The post is aware

of the feeling within these sections of being left out and will be taking steps to improve the situation.

The Inspectors find that Tabriz, Isfahan and Shiraz are valuable to US interests and, in the case of Tabriz, they reversed a recommendation of the previous Inspection in 1976 that this be closed. Tabriz and Shiraz are well-run; Isfahan is not and the Inspectors have made numerous suggestions to help try to retrieve the post from its present disarray. All three posts need more guidance and support from the Embassy and the Inspectors recommend that direct supervision of their activities be changed from the presently overloaded Consul General to the DCM.

Consular operations have improved greatly since the arrival of the present Consul General despite massive increases in visa and protection case loads. However, operations are limited by inadequate physical facilities which are now so crowded that there would be no place to put the needed additional consular officers if they were to be assigned to Tehran.

Political reporting is good overall with much of the key reporting coming out of the front-office. Coverage of opposition groups is quietly being expanded, and the Consulates provide some very useful insights into political attitudes in other parts of the country. The Inspectors looked carefully into whether reporting, particularly by junior officers, was restricted or directed as to content and whether there was an Embassy "party line" on the Shah. They believe that while some stifling of unfavorable comment on the Shah and his activities might have occured at times in the past, it does not happen now.

Economic/Commercial work is of mixed quality. Economic and financial reporting is outstanding in its content, breadth of coverage and its analysis. On the other hand, operations in the commercial area are inadequate for the challenging, competitive Iranian market. This is not entirely due to deficiencies in a Section which operates with dispiriting handicaps. The traffic conditions make it extremely difficult to set and keep

appointments. The Commercial Library is inconveniently located on the Embassy grounds. Security procedures are uncomfortable for visitors and prevent flexibility in office hours. Nevertheless, the Inspectors feel that with better organization and more drive and imagination the section should be able to provide better service to American businesses and more support to our export programs. The Inspectors believe that the Trade Center is underutilized and recommend that unless more intensive and effective use can be programmed and achieved, it be phased out by January 1980.

Scientific affairs are receiving increasing emphasis by the Embassy in recognition of their growing importance in Iran and are ably handled by an officer with considerable experience in industry and in the Department (OES). He is a strong asset in supporting US commercial efforts in the energy field, especially in nuclear power. The Science Attache also has responsibility in population matters and has developed an excellent relationship with family planning experts in Iran.

The leased Embassy office annex which houses the Consular Section, B&F Office, DEA, and IRS is inadequate. Plans to trade the A/FBO-owned land in Tabriz for a pre-engineered office building to be erected on the Embassy compound in Tehran have fallen through, but the building is still badly needed. The Inspectors recommend that A/FBO directly fund the purchase and construction of this pre-engineered building.

Poor utilization is being made of the very valuable land in the Embassy compound. No appraisals have been made of its value but informal estimates of its worth range from $65 million to over $250 million. Long-range plans have not been developed to assure that adequate office and residential space would be provided in the future.

The former transient apartments on the compound have outlived their usefulness and should be torn down whenever funding is obtained for replacement buildings. Property values have fallen sharply in Tabriz due to the recent riots there and recent anti-speculation laws.

The A/FBO-owned property in Tabriz should be retained for the present. Long-range plans should be made to sell unneeded portions of the land whenever prices recover, as they almost surely will due to the inflationary pressures in Iran.

Since the Embassy alone cannot make realistic long-range plans regarding real property, an AMAT team, consisting of A/FBO engineers and other qualified individuals, should be sent to Tehran to assist.

The Inspectors found morale at Embassy Tehran to be better than they had expected. Those assigned to Tehran see Embassy management as taking a greater interest since the last Inspection in matters affecting morale, for example by improving housing, and projecting an attitude of responsiveness to personal concerns of the staff. The difficult side of the physical realities of life in Tehran are well-known. Traffic congestion, pollution, cultural problems and other tiresome impediments require tolerance and patience. Most of the spouses have adjusted well, especially those who have found employment opportunities. Our people know that their service for the US in Iran is important and accept life as it is. With generally good professionalism, they cope well with the situation.

Table 1. List of All Resource Recommendations

Post	Delete	Add	Relocate or Otherwise Adjust
Tehran			Transfer officer from Political Section to Political/Military Section (or request another position for the latter Section)
			Retain the Market Research Officer position (20-431) if the Tehran Trade Center is closed
			Change title of Management Analysis Officer position (50-436) to General Services Officer
	FSL Security Specialist position (510.3) from Personnel Office		
	FSL B&F Officer position (530.1)		

Table 1, Continued

Post	Delete	Add	Relocate or Otherwise Adjust
Tehran (cont'd)			The first four FSL employees of the B&F Office who retire should not be replaced until reorganization of the office has been completed and the number of B&F employees who can be gainfully employed has been determined
Isfahan		FSL Consular Specialist position	
Tabriz		One junior American officer position	

Table 2. Summary of Recommended Position Changes

	Delete			Add			Net		
	FSO	FSS	FSL	FSO	FSS	FSL	FSO	FSS	FSL
Tehran	0	0	2	0	0	0	0	0	-2
Isfahan	0	0	0	0	0	1	0	0	+1
Shiraz	0	0	0	0	0	0	0	0	0
Tabriz	0	0	0	1	0	0	+1	0	0
					GRAND TOTAL		+1	0	-1

DEPARTMENT OF STATE

THE CONDUCT OF RELATIONS WITH IRAN
NEA/IRN

INSPECTION MEMORANDUM No. 1

July 1978

COUNTRY DIRECTORATE

Facts

The Country Directorate consists of three officers and two secretaries. Both the Country Director and the second officer in the Directorate came on board during the Inspection. Although the new team has not had a chance to solidify the duties of each officer, the previous management had the second officer watching over political/military matters and human rights. The third officer covers economic affairs and does the backstopping for the US - Iranian Joint Commission (USIJC).

Evaluation and Conclusions

The Country Directorate, despite a heavy turnover in personnel, is serving very well as the center for handling Iranian affairs within the US Government. Fortunately, both the Country Director (an 0-2) and the second officer in the Directorate (0-3) have had extensive experience in Iran and the third officer, an energetic and broad-gauged 0-4, was able to provide needed continuity. The size of the staff is adequate although it could be heavily pressed during crisis periods.

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The quality of the studies, briefing papers, policy documents, Congressional and other correspondence is exceptionally high reflecting a thorough understanding of the subject matter and what is needed to spur action within the bureaucracy. There is substantial communication between the Directorate and the Mission in Tehran at all levels. The Directorate does a better than average job of keeping the Mission up-to-date on the state of play within the bureaucracy on key programs. The Country Directorate has a fine reputation within NEA for meeting deadlines and for complying smoothly with crash requests.

The NEA Bureau of necessity concentrates on Arab-Israeli issues and the Inspectors looked carefully to see whether this had resulted in any deficiencies in policy guidance on Iran. Both guidance and support from the NEA front office were found to be adequate and with the White House and the Seventh Floor interest in Iran, the Country Directorate has not lacked for attention. In fact, highest level focus on problems has been helpful to the Directorate in pushing for faster decisions at lower levels.

The pressures on the Country Directorate have been such that much of its work has been reactive, keeping pace with events and moving forward on previously determined policies and programs. The new Country Director recognizes that this is not an ideal situation and hopes to develop longer-range planning techniques which will ensure more systematic approaches to policy. He is, for example, working on a general scheme for dealing with the complex and emotional human rights issues involving Iran which would reduce confrontations between bureaus within the Department, and yet, routinely take account of human rights factors.

Another idea of the Country Director is to work out some sort of schedule for presenting proposed military sales in carefully-phased steps, rather than in big lumps which mislead and stimulate opposition. The Inspectors believe these are worthwhile endeavors.

In addition, the Inspectors think more should be done in the way of long-term analysis of the economic development plans of Iran as that nation's petroleum reserves fade. The impact on industrial planning of the allocation of significant capital resources to defense programs is another important subject. The purpose of these studies should be to determine which elements of our economic and military policies contribute to or detract from the long-range viability of Iran. (Recommendation 1-1)

The Country Directorate has productive working relationships with other agencies involved in Iranian affairs, especially with the Office of International Security Affairs in DOD and with various elements of the intelligence community. There are no real problems of inter-agency coordination.

Within the Department, there have been some rather sharp confrontations between IRN and HA and certain areas of PM. Differences of view between the Directorate and these organizations are likely to continue as long as the perception of Iran as a human rights "violator" persists, and as long as our ties with Iran remain so close. However, more systematic pre-arranged and agreed approaches of the kind the Country Director is considering could at least alleviate the strain and move things along better.

The work of the USIJC seems to be increasing and the economic officer in the Directorate is particularly busy prior to its meetings, which average three a year. (see Inspection Memorandum 4) It is primarily due to this officers' initiative that the Joint Commission has taken on a more productive role.

RECOMMENDATION

1-1. The Country Directorate (NEA/IRN) should organize studies to determine which elements of our economic and military policies contribute to or detract from the long-range viability of Iran.

Charles T. Cross
Senior Inspector

DEPARTMENT OF STATE

THE CONDUCT OF RELATIONS WITH IRAN (NEA/IRN)

INSPECTION MEMORANDUM

No. 2

Post: Tehran

July 1978

POST MANAGEMENT

Facts

The US Mission in Iran is very large, totalling around 1,400 Americans, the bulk of which (1,200) are in Army Mission-Military Assistance Advisory Group (ARMISH/MAAG), and 850 locals. The State Department has 102 Americans and 165 locals. Besides the State Department there is representation from Commerce, Agriculture, Drug Enforcement Agency, Internal Revenue Service, Federal Aviation Administration, International Communication Agency, and Defense. There are constituent posts in Tabriz, Isfahan, and Shiraz.

The Executive Section of the Embassy is relatively small: the Ambassador, DCM, a Staff Aide to the Ambassador, who also works on the US-Iran Joint Commission (see Inspection Memorandum No. 4) and is usually a junior rotation officer on his first tour, two American Secretaries and one local employee with the title of Protocol Officer. The Ambassador relies on the DCM to act as the executive officer of the Mission: to oversee the daily operations of the Mission; to see that all elements carry out their assigned responsibilities; to coordinate the

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Mission's programs; and to resolve jurisdictional or other disputes between elements.

The Ambassador holds a daily staff meeting with the principal officers of the Mission including the Chief ARMISH/MAAG who comes from a considerable distance to attend. There is an expanded Country Team meeting once a week and numerous ad hoc meetings for coordinating and planning purposes.

Evaluation and Conclusions

The management of the Mission is good, particularly considering its size and the complexities of doing business in Iran. The Ambassador is well-informed on the details of operations and is actively involved in all but the most routine of them. The DCM, who has recently arrived, has taken hold admirably, serving as Charge during most of the time the team was in Iran.

Communication is very good at the section and agency head level because of the comprehensive character of the daily staff meeting where assignments and decisions are made on operational matters. The group is briefed on developments in all major activities and the Ambassador provides general guidance. However, the Inspectors heard mild complaints that there were communication gaps lower down and that officers and staff, particularly in the Consular and Administrative sections, felt they were not being "cut in" enough. The post is aware of this feeling and is working at making the reading file more available and getting a broader participation in the Country Team meetings. This last is difficult because of the small size of the only conference room available for classified meetings. All sections except the Administrative Section have regular staff meetings. The newly arrived Administrative Officer will reinstitute these. The Inspectors felt that more of the flavor of the Section Chiefs' meeting should be passed on to subordinate staffs at these meetings.

The Inspections of the three constituent posts indicate that more attention needs to be given to providing them guidance and feedback, especially in the political and economic/commercial areas. The Inspectors suggested that the DCM and the Political, Administrative, Economic/Commercial, and Consular Counselors should each visit the three posts at least twice a year on a scheduled basis. (Recommendation 2-1) These visits coupled with the regular conferences with the three Principal Officers in Tehran should draw the constituent posts more closely into the activities of the Mission as a whole.

The previous Inspection recommended the establishment of a "Coordinator of the Consulates" position. Since two of the three were consular interest posts, the Inspectors proposed that the Coordinator should be the Chief of the Consular Section, who should be designated a Consul General, and the position should be classified at the O-2 level. This has been done and has resulted in considerable improvement in coordination and guidance on the consular side.

However, it has not brought much change in connection with other important activities of the Consulates nor increased the quality or level of administrative support. The Consul General, an exceptionally capable officer, carries a tremendous load in Tehran alone where the bulk of the consular work of the country is performed; he cannot be expected to organize activities at the constituent posts in fields other than his own. The Inspectors recommend that the overall coordinating role be given to the DCM with the Consul General continuing to supervise consular operations. This change will not represent any significant reduction in his responsibilities and therefore should not affect the classification of the latter's position which should remain at the O-2 level. (Recommendation 2-2)

All three constituent posts receive a good number of VIP visitors each year. It would be helpful to the officers at the posts if they were given a more prominent place in the planning and preparations for these visits.

Usually they have been asked to work on the logistics and hotel reservation side of things but have not always been included otherwise. The importance of "face" for these young officers should not be lost sight of. (Recommendation 2-3)

The junior officer rotational program is going along quite well and the officers seem to appreciate being exposed to all aspects of Foreign Service work. The program could be enhanced by having the rotational officers meet regularly with the Ambassador or DCM to exchange experiences and to get advice on how best to profit from their training. Analyzing their own experiences is good training in itself. (Recommendation 2-4)

Morale in general seems to be reasonably good and the situation contrasted favorably with that of even a couple of years ago. The Inspectors believe this is due to front office attention to morale problems such as housing, recreation and orientation and good Administrative Section follow-up.

The post has eleven American Secretaries, which is adequate. In order to make the best use of secretarial resources, better back-up arrangements should be instituted. For example, Political and Political/Military Section Secretaries should be able to replace or assist each other, and the Secretaries in the Economic/Commercial Section should be cross-trained so that they can fill in for each other. Such arrangements tend to contribute to a more harmonious atmosphere and break down feelings of isolation. (Recommendation 2-5)

RECOMMENDATIONS

2-1. Embassy Tehran should institute a system of regular visits to the constituent posts by the DCM and the Counselors for Political, Administrative, Economic/Commercial and Consular Affairs whereby each of these officers visits each of the three posts at least twice a year on a scheduled basis.

2-2. Embassy Tehran should place the overall supervision and coordination of the work of the constituent posts in the hands of the DCM. The Embassy should use its discretion whether to recommend the abolishment of the position and title of "Coordinator of Consulates," but if it should subsequently decide to do so, it should recommend that the incumbent retain the rank of Consul General and the position remain at the O-2 level.

2-3. Embassy Tehran should take steps to include the Principal Officers of the constituent posts in the planning and organization of VIP visits in such a way as to enhance their prestige with the local officials.

2-4. The Ambassador or DCM at Embassy Tehran should meet regularly with the rotational officers as a group.

2-5. Embassy Tehran should institute a system of flexible interchange of Secretaries for back-up and support where such arrangements are practical, for example in Political and Political/Military and in the Economic/Commercial Sections.

Charles T. Cross
Senior Inspector

DEPARTMENT OF STATE

THE CONDUCT OF RELATIONS WITH IRAN (NEA/IRN)

INSPECTION MEMORANDUM

No. 3

Post: Tehran

July 1978

POLITICAL AFFAIRS

Facts

The Political Section at Embassy Tehran is headed by an FSO-2 and includes two other full-time officers and two Secretaries. The Political/ Military Section is a separate entity, but is addressed in this Inspection Memorandum. It is staffed by an O-3 supported by a Secretary.

Evaluation and Conclusions

A. Political Affairs

An appraisal of the work of the Political Section leads to the conclusion that its overall performance is good. The Section produced a sound political reporting schedule designed to provide coverage and analysis of the major areas of interest to the United States. Such subjects in the program as reporting on Iranian students in the US, political party activities, women's activities, human rights, Iran's policy toward the Indian Ocean and the Persian Gulf, officials in Iran, and internal developments provided a broad recipe for thorough reporting. This reporting is on schedule, many of the reports

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already having been completed. The reporting program has been augmented by additional topics. Continued topical spot reporting on an almost daily basis fills in as appropriate.

The very nature of political power being centralized upon the Shah and the fact that almost all major decisions emanate from the Shah provide some limitations to traditional political reporting by the Political Section. The Ambassador sees the Shah frequently and originates a considerable amount of important political reporting. This is supplemented by the Political Section. The contacts of the Section seem to be adequate and are clearly improving in quality as they expand.

The Ministry of Foreign Affairs is amply covered by the Political Section as are key leaders in other areas of the power elite and structure in Iran.

The work of the Political Section is divided into two major parts: the domestic or internal scene, and external relations of Iran. The internal reporting has become more complex and intense during the past year due to a number of events, in part stimulated by the Shah's liberalization program. This has brought about responses from conservative religious leaders, students, and other groups.

The external relations of Iran, especially with its near neighbors,the mini-states across the Gulf, the Near East region, and with the United States and the Soviet Union have been adequately covered by the Embassy. Reporting is clear, concise, and reasonably complete, although more analysis of the meaning or importance of events would be useful. Some memorandums of conversation, should be converted to telegrams.

Biographic reporting is excellent, comprehensive, and thorough. The biographic files of the Section are an important lode which is mined by many to understand the attitudes and orientation of key personalities in Iran. Collateral matters such as women's affairs and Law of the Sea topics are well covered by the Political Section.

The staffing of the Section seems to be just right, but with the internal reporting somewhat more extensive than the external.

Internal reporting is buttressed by excellent support from the three US Consulates in Iran. The three Principal Officers gather in Tehran for thorough discussions of activities in their area about every four months. This sound practice is recognized as of value not only to the Embassy, but to the Principal Officers also, as their personal interaction together and with elements of the Embassy provides new insights and guidance on what topics need attention.

B. Political/Military Affairs

The work of the Political/Military Affairs Section is outstanding. The relationship between the US and Iran in the field of military assistance sales is of enormous magnitude, the largest such program we have in the world. The dollar value of sales is huge and the presence of as many as 18,000 US personnel and dependents, mostly civilian, in Iran is a direct outgrowth.

Foreign military sales to Iran are controlled by legislation and Presidential and Department of State and Defense guidelines and directives. These are thoroughly understood by the Political/ Military Counselor. His smooth relationships with ARMISH/MAAG in Iran contribute to compliance with these guidelines and their effective implementation to further US interests.

The Ambassador takes close personal interest in Political/Military Affairs and is constantly kept abreast of developments by the Political/ Military Counselor. The Section is extremely busy and could well use a middle grade officer with knowledge in the field, ideally with recent relevant experience such as in PM/SAS. (Recommendation 3-1)

The Political/Military Counselor understands the full import of the human rights dimension of the work and deals effectively with these concerns.

Among the recent important issues addressed by the Political/Military Counselor have been the sale of Boeing AWACS aircraft for enhanced early warning air defense capability for Iran, the defense purchase projections of Iran, and the incentives for US contractors to increase phasing out of their personnel in accordance with the guidelines of the International Security Assistance Act of 1977 (PL 95-92).

The delicate area of monitoring US arms sales promotion activities by US defense contractors within legislative requirements and approved Executive Branch policy guidelines is a key aspect of the Political/ Military Counselor's work. He does this well, and contributes to the excellent relationship between ARMISH/ MAAG and the Embassy.

C. Labor Affairs

Labor reporting is not complete at the Embassy. It has been assigned on a part-time collateral duty basis to the Political Section. This has proved to be unsatisfactory and does not fulfill the needs of the Departments of Labor or State, although the annual Labor Report (CERP 005 of January 5, 1978) was thorough and useful. However, the lack of sustained flow of reporting in Iran's evolving labor scene is noticeable. An exception is good labor reporting from Shiraz. It is recommended that labor reporting be assigned to the Economic/Commercial Section. There is little political content, at least in the foreseeable future, in labor matters, but there is in terms of economic elements. (Recommendation 3-2)

The Embassy should update information on the organization and activities of the Ministry of Labor and Social Affairs; on the current leadership, orientation and activities of the Iranian Workers' Organization; on the Iranian Government's attitude and policy positions on issues in the ILO of direct concern to the US; on the evolution of the labor/ manpower situation (including available indications of trends in employment, wages, prices, productivity and income distribution); on significant developments in labor relations, labor migration,

policies and practices with regard to foreign workers, and on plans and programs to raise labor standards.

The continuing update of manpower figures, trade union developments, international labor issues and labor standards is needed.

At the end of the year, the work should be reviewed and if not found satisfactory, the assignment of a full-time Labor Officer should be considered.

RECOMMENDATIONS

3-1. Embassy Tehran should consider whether another officer in the Political/Military Affairs Section might not be needed and either transfer an officer from the Political Section or request a new position.

3-2. Embassy Tehran should assign the labor reporting function to the Economic/Commercial Section to position 20-317.

Kenneth N. Rogers
Inspector

Charles T. Cross
Senior Inspector

DEPARTMENT OF STATE

THE CONDUCT OF RELATIONS WITH IRAN (NEA/IRN)

INSPECTION MEMORANDUM No. 4

Post: Tehran July 1978

ECONOMIC/COMMERCIAL AFFAIRS

Facts

The Economic/Commercial Section includes eight American and nine local personnel led by an FSO-1. The Deputy is an FSR-2 Department of Commerce officer on detail to the Department of State. The elements of the Section are the Economic Unit with an FSO-3 supported by one local employee, a Science and Technical Attache, and a Petroleum Officer; and the Commercial Unit, which includes three officers, often a rotational junior officer, and seven local employees, two of whom work in the Commercial Library. The Economic Unit supervises two USAID employees operating a training element for AID Kabul. The E/C Section also has a nominal relationship with the Civil Air Attache and the Internal Revenue Service representative. A part of the Section is the US Trade Center in Tehran, described in Inspection Memorandum 9e.

Staff meetings of all personnel, American and local, are held each week.

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Evaluation and Conclusions

US economic interests in Iran naturally focus on oil, although Iran accounts for but 4.8 percent of our petroleum imports. We rely on no other strategic goods from Iran, but its gas and other mineral wealth may assume importance in time.

The dissemination of market intelligence and well conceived introductions for US firms are the essential missions of the Economic/Commercial Section, the three constituent posts, the Agricultural Attache's office, and the Trade Center. Considerable resources are directed to serving the 350 US companies and 14 US bank offices in Iran and a stream of visiting businessmen.

The work of the Economic Unit is excellent as is the work of the Science Attache. The work of the Commercial Unit is not as good as it should be.

A. Economic Unit

Economic reporting is of very high quality, especially in the macro-economic field. There are some gaps which can be handled by rearrangement of resources. CERP reporting is complete and essentially on schedule.

At the same time, petroleum reporting, although excellent, has decreased somewhat from the heady days of the recent past and minerals reporting has not been adequately covered. It is therefore recommended that the petroleum reporting officer also be given responsibility for reporting on minerals. (Recommendation 4-1)

While CERP reporting generally lends itself to the Airgram format, the Embassy should consider greater use of telegrams in all of its reporting. This would ensure better distribution and improve timeliness. Telegrams are also cheaper than airgrams. The Section should also decrease its reliance on memorandums of conversation and develop more telegraphic reporting. Memcons receive inadequate distribution and seem to attract little attention.

The acquisition of reliable economic data and other information is often difficult in Iran. The Section has been particularly able in its efforts to obtain such information. It has developed excellent analysis and sound interpretation of much of this complicated but important material. The Section's relationship with financial institutions is particularly noteworthy and its liaison and support of the large local American banking community in Iran is outstanding. The US Department of the Treasury is pleased with the reporting and analysis produced by the Unit.

B. Commercial Unit

The Commercial Unit is composed of an R-2 Commercial Attache seconded from the Department of Commerce, supported by an O-5 Assistant Commercial Attache, an O-6 Commercial Officer, and usually a rotational officer, although not always on a full-time basis. As with the Economic Unit, there has been difficulty in developing adequate information needed by American commercial interests. Such difficulties contribute to the often slow responses to WTDR and ADS requests. The Inspectors suggested that to alleviate these delays which have caused considerable backlogs (although they were reduced during the Inspection), the Commercial Unit should state when making a request for local information that a reply will be made to Washington at the expiration of 30 days. If the company being queried wishes more time, it should so inform the Commercial Unit.

The Inspectors also suggested that after 30 days, if there was no adequate response forthcoming, the Unit should reply to Washington with the amount of material then available and state that if further information is developed it will be submitted. Such interim reporting would reduce the backlogs and should not detract from the overall quality of the reports.

The Assistant Commercial Attache, an O-5, is on her first assignment as a Commercial Officer. There are seven local employees serving in the section. They are generally supervised by the junior rotational officer.

The quality of their work is mixed as is their attendance record. This may be because they have had inadequate and inconsistent supervision. They know that the rotational officer will soon leave, and are inclined not to pay close attention to his guidance. It is therefore recommended that supervision of the locals be under the Assistant Commercial Attache rather than the rotational junior officer. This would also reduce the gaps in supervision that occur when a junior rotational officer is not assigned to the Section. (Recommendation 4-2)

A Market Research Officer from the E/C Section is generally assigned to the Trade Center. This important position also provides useful services to the E/C Section and can be important in the sound development of trade opportunities. The function and position should be continued, whatever the disposition of the Trade Center. (Recommendation 4-3)

The Commercial Library is adequate, but its location is not conducive to use. It should be relocated as it is not really accessable to the public. (Recommendation 4-4; see also Inspection Memorandum No. 6b)

The hours of operation of the E/C Section are, as with the rest of the Embassy, 7:30 a.m. to 4:00 p.m. Most commercial institutions in Tehran are open at 9:30 or 10 a.m. and close about 6 p.m. Further, they work different days of the week from the rest of the community. Therefore, the Embassy should review the hours of the E/C Section with a view to obtaining more efficiency. Whether or not the rest of the Embassy changes its working hours and days to coincide with local practice, the Commercial Unit might well do so, perhaps with one of its employees on duty during the regular workday. (Recommendation 4-5)

A local commercial newsletter is produced about four times a year. Its publication is usually delayed by production problems. Hopefully, this will be improved when a new high-speed press is acquired by ICA.

Commercial opportunities in the three Consular Districts need more aggressive pursuit. The Unit should host meetings in Tehran with the Principal Officers to discuss trade, and marketing opportunities. (Recommendation 4-6)

C. Joint Commission

The Joint Commission was established in 1974 to improve technical assistance and technology transfer to Iran along lines similar to those provided in the AID context, but with the costs paid by Iran. (The AID Mission was closed in 1967.)

The Joint Commission Officer on the US Embassy staff was, until recently, assigned to the Economic/Commercial Section. This proved not to be a full-time job, and the function has been transferred to the Staff Aide who carries it as a collateral duty.

The US-Iran Joint Commission is composed of five committees:

1. Economic and Finance, including subcommittees on trade, health, housing, transportation, and electronics (the latter is not yet active);

2. Manpower and Technical Cooperation, including labor;

3. Agriculture (see Inspection Memorandum 9d);

4. Energy, including nuclear, solar, oil, gas, and rural electrification; and

5. Science, Technology and Education.

The Commission meets about twice a year when Commission coordinators present status reports on their respective committee activities. In general, the Joint Commission is reasonably active, in some sectors more than others. However, it does focus attention and provide a coordinated across-the-board approach to a variety of subjects.

As with other matters in the Government of Iran, the Joint Commission activities experience some difficulties in that the decision-making role is often at the cabinet level. The Commission is seen as a symbol of serious cooperation between the United States and Iran.

RECOMMENDATIONS

4-1. Embassy Tehran should assign responsibility for minerals reporting to the petroleum officer.

4-2. Embassy Tehran should assign responsibility for supervision of local employees in the E/C Section to the Assistant Commercial Attache.

4-3. Embassy Tehran should retain the position of Market Research Officer filled by an FSO if the US Trade Center in Tehran is closed, and assign the incumbent to the E/C Section.

4-4. Embassy Tehran should relocate its Commercial Library in a more accessible and pleasant area.

4-5. Embassy Tehran should review the working hours of its E/C Section with a view to having them more in phase with the business hours of Tehran.

4-6. Embassy Tehran should host a commercial/ trade conference for the three Consulates in Iran at least once a year.

Kenneth N. Rogers
Inspector

Charles T. Cross
Senior Inspector

DEPARTMENT OF STATE
THE CONDUCT OF RELATIONS WITH IRAN (NEA/IRN)

INSPECTION MEMORANDUM No. 5

Post: Tehran July 1978

CONSULAR AFFAIRS

Facts

The Consular Section of Embassy Tehran is headed by an FSO-3 Counselor for Consular Affairs. He also supervises all activities of the three constituent posts in Iran.

When fully staffed, the Consular Section consists of ten American officers (two of whom work only half-time in the Section), 17 local employees, and six PIT employees, all of whom are Americans.

The Consular Section is located in a separate building about three blocks from the main Embassy compound. During the summer rush, applications for student visas are handled in another building, newly adapted for the purpose, which is on the Embassy compound but which is accessible from the street.

Evaluation and Conclusions

A. Management

Consular operations have improved markedly since the

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last Inspection, an achievement made even more noteworthy in view of the tremendous increase in workload in all consular functions since that time. Non-immigrant visa applications may reach 100,000 during this fiscal year, as compared with 60,000 in FY 1976. Immigrant visas will increase from about 2,100 to 3,700-3,800. American citizens residing in Tehran's Consular District are estimated at over 40,000, up from 28,000 two years ago.

Absorption of this vastly increased workload has been made possible by means of resourceful and imaginative management techniques implemented by the Counselor for Consular Affairs with the support of the Ambassador and the DCM. Numerous changes, large and small, have been effected to keep the Section current with increased demands for services while improving responsiveness to the public, both Iranian and American. This has been done in spite of a basically inefficient plant and a chronic shortage of American officers. Until very recently, the American complement consisted of ten officers, two of whom worked only half-time in the Section. These two officers have now been transferred to the Economic and Political sections, decreasing the Consular complement to eight. Three new consular positions have been approved for FY 1979, but the prospects of them having trained in Farsi and on board before the latter part of that fiscal year are dim indeed.

B. Visas

One of the most significant improvements in the Consular Section has been the opening of the new Student Visa Annex in the former Marine House on the edge of the Embassy compound. While the building could in no way be described as ideal for a busy visa operation, available space has been carefully organized to provide a logical flow of applicants through the various stages of their processing: for example, chairs in waiting room areas are "color coded"--when an applicant is called from the blue area for pre-screening and is then asked to take a seat in the yellow area, he knows what is going to happen next: the visa interview.

To an observer the most striking aspect of the new student facilities is the air of serenity and efficiency which prevails. Although the biggest rush of the student visa season is yet to come, it was apparent that it will be met with considerably less discomfort to the applicants and strain on the nerves of the staff than heretofore.

Processing of non-immigrant visas in the main consular building has improved as well. A parking area has been covered to provide an off-the-street assembly area for applicants, who are given numbers and admitted to the NIV area in small groups. The recently arrived Consular Officer in charge of the NIV Unit screens passports and applications as they are submitted to sort out cases in which visas clearly can be issued without an interview (non-first-time applicants, etc.) In these cases (roughly 30 percent) the individual is told he may leave without interview, and to return in the afternoon to pick up the visaed passport. The remainder of the applicants are then pre-screened by PIT American employees, Consular officers, or junior officers from other sections of the Embassy, who rotate to the Consular Section on a weekly schedule to provide assistance during the rush season. This step eliminates those whose documents are in order and who appear eligible for a visa without further interview, and those whose applications must be refused under 221(g) for lack of proper documentation. The roughly ten percent who remain after this step, who appear to the screeners to be ineligible under 214(b) or other statutory grounds, receive an in-depth interview by another Consular Officer to determine their eligibility for the visas they seek.

A weakness in this system as presently operated is that applications which are passed by PIT employees in the pre-screening stage are not reviewed or approved for visa issuance by a Consular Officer. Officers do not sign the visas, as the visa stamp bears the signature of the Consul General. In effect, PIT American employees are approving visas for issuance. Without questioning the competence or dedication of these employees, the

Inspectors believe this practice must be discontinued, and a Consular Officer should review all cases pre-screened by a non-Consular Officer. (Recommendation 5-1)

The Chief of the Consular Section is not reviewing and initialing NIV refusals as required by CA-4058 of June 12, 1975. Since there is so much rotation of officers in the NIV Unit, it appears especially important that refusals (other than those based on lack of documentation) be reviewed by an experienced officer to maintain uniformity. The refusals to be reviewed amount to only about five percent of the applications handled each day, and should not prove an undue burden for the Section Chief. (Recommendation 5-2)

Immigrant visa workload has also increased. At the present level of 3,700 per year, it can still be handled by the staff of one officer, one American PIT, and three local employees. However, the vastly increased travel of students and other Iranians to the US is bound to have an upward impact on immigration levels. Telephoned and written requests for information on immigrant visas are already severely straining the resources of the Unit. In the near future, either more officer and staff help must be provided or other functions now performed in the Unit, such as approval of petitions, re-entry permit applications, examination of applications for investor status, etc., will have to be farmed out elsewhere.

Supervision by the Chief of Section is excellent and wins high praise from all members of the staff. He provides the right combination of guidance and encouragement of initiative.

Considering Embassy Tehran's reputation as one of the most difficult consular posts in the Service, morale of American and local staff is remarkably high.

At the same time, junior officers serving in the Consular Section consistently express a feeling of separation from the rest of the mission. Workload pressures and distance from the Embassy preclude their attendance at the weekly Country Team meeting. Contacts with other officers are infrequent during the working day. The reading file is maintained in the Communications Center, in the main Embassy building, requiring a 10-15 minute walk each way for anyone from the Consular Section.

The Inspectors believe that the Embassy should make the reading file more readily available to Consular Officers by having a duplicate file delivered to the Consular annex on a daily basis. (Recommendation 5-3)

Although junior officers are encouraged to attend the weekly Country Team meetings, those assigned to the Consular Section do not generally attend because of work pressures. The Inspectors believe greater efforts should be made to have these officers attend staff meetings. The Chief of the Consular Section should have one officer accompany him each week, establishing a roster to enable absences for this purpose to be more easily covered. (Recommendation 5-4)

C. Consular Personnel Resource and Training

The Embassy has developed an active rotational program for junior officers which provides experience in at least two functions during their assignment to Tehran. Apparently inadvertently, one junior officer (Position 30-332) in the Consular Section was not included in this rotational program. This should be corrected so that this officer receives the same opportunity for out-of-line experience as the rest of the participants in the Junior Officer Program. (Recommendation 5-5)

In addition to the above training, the Chief of the Consular Section rotates officers within the Section to provide them with training in various consular functions as well as relief from the pressures of "visa mill"

operations. Very few visa applicants and even fewer Iranian officials in middle or lower echelon positions speak English. The Inspectors believe that Farsi - training is essential for all consular positions except that of the Chief of Section. (Recommendation 5-6) The Inspectors had the impression that these positions were already language-designated, but two recently-arrived officers were not provided language training, and one was specifically told it was not required. The Embassy and the Department should see that all these positions are language-designated and that all officers assigned to fill them do indeed receive Farsi training. At the same time, the Farsi language training program should be reviewed to assure that it is up to date. Many critics of the program claim that the Farsi taught at FSI is not the Farsi spoken in the Tehran of today. Others complain that there is too much emphasis on written Farsi in the course, for which there is little need in Tehran. (Recommendation 5-7)

D. The Problem of Student Visas

The question of whether scholastic, financial, and/or other standards for issuing student visas to Iranians might be set too low is one which troubles many of the Consular Officers who interview student visa applicants. The suspicion is strong, though unverified as yet, that large numbers of Iranian students violate their status by taking employment in the United States. The rate of adjustment of status of those students who have been in the US for several years is also troubling. (A spot check of visa files by the Inspectors indicated that their rate of adjustment could be 25 percent or higher.)

There are also doubts as to whether the education the Iranians receive in the predominantly small and academically undistinguished schools they attend will really enable them to pursue the types of careers they want upon their return to Iran. If not, what are the implications for future stability in Iran and for US foreign policy?

As the number of student visas issued annually in Iran rises from a few thousand in the early 70's to an estimated 20,000 in the current year, it would appear increasingly important that answers to these questions be found. It would appear appropriate for the Department (NEA/IRN and CA/VO) and the Immigration and Naturalization Service to compile and analyze data which could provide reasonably accurate statistics on the study, work, and adjustment patterns of Iranian students, leading to a meaningful analysis of whether or not the cited problems do indeed exist. (Recommendation 5-8 and 5-9)

RECOMMENDATIONS

5-1. Embassy Tehran should ensure that all non-immigrant visas issued are approved by a Consular Officer.

5-2. Embassy Tehran should ensure that the Chief of the Consular Section reviews all non-immigrant visa refusals, as required by CA-4058 of June 12, 1975.

5.3 Embassy Tehran should provide the Consular Section with a duplicate of the reading file to assist officers assigned to the Section in keeping abreast of the activities of the Mission.

5.4 Embassy Tehran should ensure that one Consular Officer accompanies the Chief of the Consular Section to each weekly Country Team meeting on a rotational basis.

5.5 Embassy Tehran should ensure that the junior officer presently occupying position 30-332 in the staffing pattern is included in the junior officer rotational training program.

5.6 The Department (PER/FCA) and the Embassy should require that all consular positions except that of the Chief of Section be language designated in Farsi. They should also ensure that no officers are assigned to these positions without Farsi language training.

5.7 The Department (M/FSI) should review the Farsi language program at FSI to assure that it is providing training in the Farsi actualy spoken in Iran at the present time.

5-8. The Department (CA/VO and NEA/IRN) with the participation of ICA and the Immigration and Naturalization Service should study the pattern of life in the United States of Iranian students. The study should include their rate of change of status, their pattern of employment, the types of institutions they attend and their performance.

5-9. Embassy Tehran should establish a select committee to review the standards by which student visas are issued in Iran. Under the direction of the DCM, the committee should include officers from the Consular Section, the Cultural Affairs Section of ICA, and the Political Section. It should set guidelines concerning grades, financial support, English language comprehension, and the appropriateness of the proposed study, with emphasis on pre-university training.

Virginia Weyres
Inspector

Charles T. Cross
Senior Inspector

DEPARTMENT OF STATE

THE CONDUCT OF RELATIONS WITH IRAN (NEA/IRN)

INSPECTION MEMORANDUM No. 6a

Post: Tehran July 1978

ADMINISTRATIVE OPERATIONS

Facts

The Administrative Section includes 24 American and 145 FSL employees, 14 Marine Security Guards, one Seabee, and about 150 contract workers. Its offices are at various places in the Embassy Compound and the leased Embasy office annex.

Evaluation and Conclusions

Although the Administrative Counselor, who departed Tehran in late June 1978, had an unusual management style, it worked very well for him and produced an effective administrative operation that resolved short-term problems. He used the hub of a wheel type of management, giving primary attention to top management needs, special projects, and problem areas. He did not fill the O-3 General Services Officer position, but separately directed each of the General Services Officers. He utilized an O-5 Management Analysis Officer (MAO), one of whose duties was to make selective internal reviews of the Embassy's administrative operations.

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The MAO acted as de facto Acting Administrative Counselor, during the absence of the Administrative Counselor. He was able to do so successfully because the Administrative branch chiefs, although older than the MAO, knew little about overall administrative operations and, therefore, were not anxious to assume responsibility for them. The departed Administrative Counselor did not hold staff meetings, which limited general knowledge of Administrative Operations throughout the Section.

This type of management cannot easily be grafted onto the Department's traditional pyramid type of organization and is not necessarily an improvement. Better use of the manpower available to the Department under its personnel ceilings can probably be made by strengthening direct supervision. For this reason, the Inspectors recommended that the vacant O-3 General Services Officer position be filled as planned and that the title of the MAO position (50-2130-436) be changed to General Services Officer. The incumbent is presently serving as a General Services Officer, and his major task, finding uses for the WANG mini-computer, properly belongs under the direction of the Supervisory General Services Officer. (Recommendation 6a-1)

One of the actions taken by the departed Administrative Counselor was to order a Wang mini-computer at a cost of about $96,400. No specific applications were devised before the order was placed, but the equipment is compatible with those being installed at other posts. Embassy Tehran plans to borrow programs which have been devised for the Wang computer at Embassy Seoul. Instead of properly budgeting for the Embassy Tehran computer. part of the cost ($24,429) is being borne by the US Employees' Association, and part is being charged to proceeds of the sale of nonexpendable property ($20,812). The remainder will be charged to the Department's S&E shared allotment. This is a wholly irregular procedure. Adequate provisions have not been made to provide operators for this computer once it has been installed. To assure that the computer operation is cost effective, i.e., personnel spaces eliminated and needed mamagement data obtained to offset all costs of the computer opera-

tion, a joint Department and Embassy Tehran review is required. The review should also include a determination of the number of personnel required to operate the computer system and the proper financing of the computer. (Recommendation 6a-2)

RECOMMENDATIONS

6a-1. The Department (PER, NEA/EX,) should change the title of Management Analysis Officer position (50-2630-436) at Embassy Tehran to General Services Officer.

6a-2. The Department (A/ISO and NEA/EX) and Embassy Tehran should perform a joint review of the planned computer operation to assure that it is cost effective, necessary personnel are available to operate the system and the purchase of the computer is properly financed.

Lawrence A. Fowler
Inspector

Charles T. Cross
Senior Inspector

DEPARTMENT OF STATE

THE CONDUCT OF RELATIONS WITH IRAN (NEA/IRN)

INSPECTION MEMORANDUM No. 6b

Post: Tehran July 1978

PERSONNEL OPERATIONS

Facts

Some 104 American and 837 FSL employees of US Government agencies in Iran comprise the full-service clientele of the Personnel Branch. Its staff consists of two American and nine FSL employees. One of the latter occupies an Army position.

The 104 Americans mentioned above are employees of State, ICA, FAS, and Commerce. Another 73 Americans and 270 dependents are provided limited assistance by the Personnel Branch. Of the 837 FSL employees, about 593 are employed by US military organizations.

Evaluation and Conclusions

Personnel operations are generally well managed. Attempts are made to prevent problems in this area from developing and to solve those which arise on a timely basis.

Considering the apt description of Tehran as one massive traffic jam, the morale of American employees at the Embassy is reasonably good. Tehran is a vast

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metropolitan city with few amenities. The Embassy has made special efforts in the recent past to provide adequate housing to its American employees.

An RU-3 Personnel Officer is in charge of the Personnel Branch, but he has delegated management of the American personnel program to his subordinate R-6 Personnel Officer and concentrates almost exclusively on management of the local personnel program.

In discussions with the Inspectors, the senior Personnel Officer explained this curiosity by stating that management of the local personnel program presents a challenge to him, while the management of the American personnel program would be routine.

He has made a recent local wage survey, which was published in April 1978, and is currently making a comprehensive study of the classification of local positions. Further, he is in the process of establishing a local employees' council to discuss and advise on matters of concern to the local employees and help develop solutions, a project which appears to have merit.

The junior Personnel Officer is serving her first tour as a Personnel Officer. About half of her time is devoted to counseling American employees or their dependents, and most of the rest to paperwork related to them. She will complete her tour this year without having gained experience in the management of a local personnel program.

Minor misunderstandings have developed at the post, because the Personnel Branch is divided de facto into two independent organizations. Some American employees have expressed surprise upon discovering that the senior Personnel Officer has not involved himself in their personnel matters. Individuals requesting assistance on local personnel matters sometimes express annoyance when advised that the junior Personnel Officer is unable to help them. Also, questions have arisen as to the proper chain of command for the junior Personnel

Officer to follow under these circumstances. Even though she has done a very creditable job, she should have received comprehensive training in personnel work. (Recommendation 6.b-1)

As the result of the reclassification of local positions, promotions are being made where only the senior Personnel Officer and the responsible supervisor concur. The danger of this limited review is that grade creep can occur. For purposes of uniformity, the senior Personnel Officer plans to classify the positions of about 200 contract workers. He should not do this, since these are not Government employees. The Inspectors recommended that the post re-establish a Promotion Review Board to help insure against grade creep and stop plans for classifying contract workers. (Recommendation 6b-2)

An FSL Security Specialist is nominally assigned to the Personnel Branch. His annual salary is the equivalent of $14,000. He is serving as a permanent night Associate Duty Officer from Wednesday through Sunday. (However, problems are fully handled by the regular American and FSL duty officers.) The position is unnecessary and should be abolished. (Recommendation 6b-3) If practicable, the employee should be transferred to another opening.

An FSL Personnel Technician collects cash from local employees desiring additional medical coverage for their parents or children over 18 years old and takes these collections to the insuring hospital. Since she is acting in her capacity as an agent of the US Government, the B&F Officer should establish formal controls over these collections and disbursements. (Recommendation 6b-4)

Adequate working space has not been provided to the Personnel Office for receiving visitors, counseling local employees, and testing applicants. Both the Personnel Branch and the Commercial Library are located on the second floor of a small building near the main gate to the Embassy Compound. Additional space could be made available to the Personnel Branch by moving the

Commercial Library to temporary quarters elsewhere on the Embassy Compound or vice versa. (Recommendation 6b-5)

During their visit, the Inspectors met with a representative group of FSL employees to discuss matters currently of concern to them. Some of these are listed below:

-- Each wage shown in the Local Employees Compensation Plan is divided between basic salary and fringe benefits. Civil Service retirement deductions are taken only on the basic salary, which is not to the advantage of the FSL employees. They request that the two categories be combined under basic salary.

-- A number of FSL employees in Iran worked for the Master Joint Fund, which was a joint US-Iran entity. It lasted about five years. Most of those affected had been USG employees before being transferred to the Fund but have been denied retirement credit by AID for the years during which they worked for the Fund. They believe that they were, in fact, USG employees during that period.

-- Medical care for FSL employees in Tehran is provided only at Tehran General Hospital under the Embassy's plan. A general medical insurance plan would be much more beneficial.

-- Medical care for an FSL dependent ends at 18 years of age unless an additional premium is paid. Some other employers provide coverage up to 25 years of age if the dependent remains a student.

-- Bank and other institutional loans are difficult to obtain in Iran. Employers normally fill the gap. Information on ways to establish and manage a credit union would be helpful.

-- The starting hour of 7:30 a.m. is too early during the winter months. A later starting time would be preferable during that part of the year.

These matters were discussed with the Administrative Counselor and the two Personnel Officers prior to the departure of the Inspectors. They agreed that each of the suggestions has merit and will be given appropriate consideration. (Recommendation 6b-6)

RECOMMENDATIONS

6b-1. Embassy Tehran should assure that any first-tour Personnel Officer assigned to the post in the future is given the opportunity to manage both the American and local personnel programs on a rotational basis.

6b-2. Embassy Tehran should re-establish a Promotion Review Board to help insure against grade creep and stop plans for classifying contract workers.

6b-3. Embassy Tehran should abolish the FSL Security Specialist position No. 510.2.

6b-4. Embassy Tehran should establish formal controls over cash being collected in its Personnel Branch from local employees for medical insurance coverage of their parents or children over 18 years old.

6b-5. Embassy Tehran should provide adequate space for its Personnel Branch.

6b-6. Embassy Tehran should attempt to resolve the matters of concern to FSL employees which are listed in Inspection Memorandum 6b of July 1978 and distribute a written summary of the results of its actions to all FSL employees at the Embassy and its constituent posts.

Lawrence A. Fowler
Inspector

Charles T. Cross
Senior Inspector

DEPARTMENT OF STATE

THE CONDUCT OF RELATIONS WITH IRAN (NEA/IRN)

INSPECTION MEMORANDUM No. 6c

Post: Tehran July 1978

BUDGET AND FISCAL OPERATIONS

Facts

Two American and 19 FSL employees work in the Budget and Fiscal Office, which is located in the leased Embassy office annex. The two Americans have the titles of Budget and Management (B&M) Officer and Budget and Fiscal (B&F) Officer.

Evaluation and Conclusions

The Inspectors' overall impression is that the B&F Office is functioning reasonably well, but could do better with fewer people if its procedures were streamlined. In March 1978 only 339 vouchers were processed. Most of the FSL employees are compartmentalized, both physically and functionally. Few have been cross-trained. As a result the B&M and B&F Officers have no way of comparing the relative production of their FSL employees or of gaining useful feedback from them as to ways to improve operations. To remedy this, the Inspectors recommend that the Funds Control Unit and the Voucher Unit be combined into a Fiscal Unit and that the work be divided by allotment; that is, the same Fiscal Specialist would be both the accountant and voucher examiner for his allotment(s). The Fiscal Specialists should be

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rotated about every six months until each knows how to do every task in the Unit. (Recommendation 6c-1)

The Fiscal Unit should be placed under the direct supervision of the American B&F Officer. If this were done, FSL Position 530.1, B&F Officer, could be abolished. (Recommendation 6c-2)

To establish internal control, responsibility for distributing incoming checks from RFC Paris should be transferred from the RFC Liaison Unit to a Mail Clerk. The latter should report directly to the B&M Officer. Responsibility for forwarding documents to RFC Paris should remain the responsibility of the RFC Liaison Unit, which should be reduced to one individual. She should report directly to the American B&F Officer, who is also the Certifying Officer. The objective would be to prevent any one individual from submitting a voucher and then also obtaining a check for that voucher. (Recommendation 6c-3)

Procedures should be established whereby applicable accounting data is shown on all obligation and expenditure documents sent to the B&F Office. Vouchers should be typed in the originating offices, not in the B&F Office, and approved before they are sent to the B&F Office. This change should apply to all bills--including those to be paid from petty cash in those cases where the benefitting offices desire to approve such charges. (Recommendation 6c-3)

Cash reimbursement voucher processing in the B&F Office is unnecessarily complicated at the present time resulting in long delays before the vouchers are forwarded to RFC Paris and increasing the possibility that irregularities will not be detected in a timely manner. Some of the subvouchers on hand as of July 3, 1978, were dated in April and May 1978. Procedures should be revised so that accounting data (strip coding) is shown on each petty cash subvoucher at the time of payment and that each Cashier summarizes the accounting data on his reimbursement vouchers. Since many of the supporting documents are in Farsi, a special Petty Cash Voucher Examiner should continue to see that the translations are correct, that the documents are valid, and that the amounts are correct. Since the incumbent Petty Cash

Voucher Examiners have not processed the vouchers on a timely basis, another individual should be assigned to this task. (Recommendation 6c-4)

To reduce the need for large cash funds, each Subcashier should be required to transfer all of his subvouchers on hand to the responsible Class B Cashier at least once each workday, rather than weekly or monthly as at present. Each Cashier should be required to prepare cash reimbursement vouchers summarizing all subvouchers on hand and forward them to the Certifying Officer at least once, and preferably twice, each week, rather that at biweekly or monthly intervals as at present. The Certifying Officer should ascertain that all cash reimbursement vouchers are processed within one workday after they are received in the B&F Office. As mentioned above, some of the subvouchers on hand were two months old at the time of our departure. (Recommendation 6c-3)

Some of the records maintained in the B&F Office date back to 1974 and prior years. Many duplicate the official accounting records maintained for the Embassy by RFC Paris. To help make the Fiscal Specialists production-oriented, rather than records-oriented, the records kept by them should be reduced to (1) a file of unliquidated obligation documents, (2) a file of obligation documents liquidated during the current month, (3) a file of active grants and contracts, if any, (4) a file of grants and contracts which have expired during the current month, if any, and (5) RFC Forms 60, 62, 80, 90, and 136 for the current month. At the end of the month, all liquidated, expired, and completed documents should be put into cardboard boxes and moved to a storage room. (Recommendation 6c-4)

To further help expedite fiscal production, the Fiscal Specialists should be relieved of any responsibility for budget, statistical, or special reports. A Budget and Reports Unit should be established by transferring one or two individuals from the present Funds Control Unit to make whatever analyses and reports may be required. The head of this Unit should report to

the B&M Officer so that the American B&F Officer may concentrate on supervising the proposed Fiscal Unit and expediting the processing of vouchers. (Recommendation 6c-4)

If these changes were made, a number of FSL positions in the B&F Office could be abolished, but the reorganization would be traumatic for the long-term FSL employees. We suggest, therefore, that the next four vacancies in the B&F Office not be filled when an FSL retires until the new organization is fully functional and the actual number of employees which can be gainfully employed has been determined. (Recommendation 6c-4.)

Also, the amount of cash required for US operations in Iran could be reduced. The Embassy Class B Cashier alone is presently accountable for $250,000. As soon as the reorganization is completed, his advance should be reduced to not more than $100,000. If extraordinary amounts of cash should be required at any time, RFC Paris should be requested to make a telegraphic transfer of cash to the responsible Cashier. (Recommendation 6c-3)

At present, the Embassy Class B Cashier's office is located on the second floor of the leased Embassy office annex, apart from the other B&F offices which are on the fourth and fifth floors of the same building. Visitors to the Consular Section are continually asking for information at the Cashier's office or requesting change for currency. The Consular Section has a storeroom on the fifth floor which is large enough for a Cashier's office. The Inspectors recommend that a trade be made of the spaces. They also recommend that the Consular Cashier be designated as a Subcashier and given a small change fund. (Recommendation 6c-4)

Three people are currently working in the Embassy Cashier's office: the Class B Cashier, a Subcashier, and a contract "summer-hire." One Cashier would be adequate. Since the Subcashier is doing the actual cash disbursements, the Inspectors recommend that he be redesignated as the Class B Cashier. The incumbent Class B Cashier might be transferred to the Petty Cash Voucher Examiner position mentioned above until he retires. Neither the

"summer-hire" nor anyone other than a designated Cashier should be in the Cashier's office or have access to the cash. (Recommendation 6c-4)

Various ways are feasible to reduce the Embassy Cashier's workload and expedite the processing of his documents. For example, accommodation exchanges could be discouraged, especially since the US Employees' Association provides a competing service. This would be done by further limiting the times for accommodation exchanges. Collections for interested party messages might be made by a Consular Subcashier, rather than by the Embassy Class B Cashier. The window of the Cashier's office could be closed entirely one or two days a week so that the Cashier may prepare his reimbursement vouchers and other documents for transmittal to RFC Paris without being distracted. (Recommendtion 6c-4)

Security over cash in the Embassy Cashier's office should be strengthened. At present, the Subcashier keeps large amounts of cash in key-locked wooden drawers under his window during the day and in a locker, which is kept in a vault-like closet, at night. The Consular Cashier also sets her key-locked cash box in this closet at night. Both the Class B Cashier and the Subcashier have the combination to the closet. The "summer hire" sometimes handles the Subcashier's funds. Subvouchers constituting part of the Class B Cashier's accountable funds were scattered among various B&F employees at the time that the Inspectors witnessed a cash verification on July 3, 1978. This verification, under the cumbersome RFC system, took about ten hours. As has often been reported in the past, neither the Verifying Officer nor the Inspectors can be sure that the numerous items in transit are bonafide at the time that the reconciliation statement is prepared. (Recommendation 6c-3)

RECOMMENDATIONS

6c-1. Embassy Tehran should reorganize its B&F Office and streamline its fiscal procedures as outlined above.

6c-2. Embassy Tehran should abolish FSL Position 530.1, B&F Officer, at Embassy Tehran.

6c-3. Embassy Tehran should improve the internal controls over cash under its jurisdiction as outlined above and reduce the cash advance to $100,000.

6c-4. Embassy Tehran should not replace the next four FSL employees in its B&F Office who retire until the Office has been reorganized and the actual number of employees which can be gainfully employed has been determined.

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Inspector

Charles T. Cross
Senior Inspector

DEPARTMENT OF STATE

THE CONDUCT OF RELATIONS WITH IRAN (NEA/IRN)

INSPECTION MEMORANDUM No. 6d

Post: Tehran July 1978

COMMUNICATIONS AND RECORDS

Facts

The Communications and Records (C&R) Section is staffed by nine American and 20 local employees. Two of the Americans are regional technicians. Cable, mail and pouch traffic has increased over the past year, and because of ongoing increases in the size of supported agencies is not expected to diminish in the near future.

Evaluation and Conclusions

C&R operations have improved since the last Inspection. Major accomplishments include the successful installation of a complete new telephone system which replaced Embassy Tehran's archaic system. Arrangements are also being made to provide direct lines to the ARMISH/MAAG which, given the size and volume of Department of Defense activities in Iran, (see Inspection Memorandum 9a) is essential.

Cable traffic, for the most part, has been handled expeditiously, although the Communications Unit has been operating the past few months with less than its full complement of communicators. Limited overtime plus the employment of a PIT employee for reproduction and distri-

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bution have helped to alleviate serious backlogs. There have been occasions, however, where outgoing cables delivered late in the day have been held up for as much as two days. It is believed that installation of a complete TERP system will solve the remaining cable processing problems. Although a TERP system is programmed for Embassy Tehran, no definitive installation date has been set.

As an interim measure which C&R personnel believe will solve the problem of processing outgoing cables, C&R is proposing the advanced installation of an Optical Character Reader (OCR). The OCR is part of the TERP package and would continue to be used when TERP is installed. In the meantime, the backlog would be cleared and all required OCR training would be accomplished. (Recommendation 6d-1)

Records management has also been a problem. The post subject files are maintained on a decentralized basis. Over two years of files which should have been retired have accumulated. Efforts by C&R personnel to resolve the problem met with little success until just recently when the newly arrived DCM emphasized the importance of records management. Since that time cooperation from the various offices and sections has improved and with continued emphasis the problem should be resolved.

The Inspectors noted one other area which should be addressed by Embassy Tehran in order to preclude potential problems in the future. Recently, a commercial telex machine was installed in the Mail and Pouch Room. Eventually, plans call for a direct hookup with Consulate operations to expedite private party telegrams. In the interim, commercial cables have been sent for the Employees' Association which was placing urgent orders and following up on late and/or missing shipments. To date no bills have been received from the telegraph company but they are expected. However, procedures have not been established for the recording, billing, and collection of fees for the cables. The Inspectors believe that a procedure, similar to the one in effect

for long distance phone calls, should be established that would ensure collection by the B&F Office rather than having funds pass through C&R. (Recommendation 6d-2)

RECOMMENDATIONS

6d-1. Embassy Tehran should, in conjunction with the Deparment (A/OC), review the status of TERP installation and the viability of installing an OCR as an interim measure.

6d-2. Embassy Tehran should establish formal procedures for the billing and collection of commercial telex fees ensuring that responsibilities are established and understood by personnel involved.

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DEPARTMENT OF STATE

THE CONDUCT OF RELATIONS WITH IRAN (NEA/IRN)

INSPECTION MEMORANDUM No. 6e

Post: Tehran July 1978

GENERAL SERVICES OPERATIONS

Facts

The General Services Office is the largest State element at the post with four American Officers and 69 local employees authorized. In addition, there are about 65 contract employees excluding guards. The Office encompasses building and maintenance operations, procurement, warehousing, customs and transportation and residential leasing. Support is provided to State, ICA, Commerce, Agriculture, IRS and DEA activities.

Evaluation and Conclusions

A. Contracting for Services

Overall, the office has performed well, considering the heavy workload involved in providing support to a Mission of this size. Since the last Inspection, increased emphasis has been placed on improving employee morale and the operations of the Office have been directed toward that goal with considerable success. But the Office is not without its problems, most of which are known and can be corrected locally. One area however, contracting for services, may never be truly solvable without relief from regulatory requirements.

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Embassy Tehran is in the same situation as most posts in the less sophisticated parts of the world. It must acquire a variety of services ranging from gardening to furniture refinishing. Moreover, personnel space limitations preclude the direct hire of employees to perform the services. But the local economy has not reached the point where all required services can be provided through true non-personal service contracts. Consequently, Embassy Tehran is using personal service contracts to obtain services other than janitorial and gardening services, which can be and are procured through true non-personal service contracts.

At the time of the Inspection, there were seven contracts for services in Tehran valued at over $700,000 a year. As mentioned, two contracts--gardening and janitorial services--were performed on a non-personal services basis. The remaining contracts were personal services in nature and performance. For example, the building and maintenance contract provided for maintenance and warehouse personnel, drivers, painters, and so forth. The personnel employed were recruited, hired, trained, and directly supervised by Embassy personnel. The same was true for the guard contract.

Given these circumstances, plus the fact that many contract employees were once direct-hire employees and had worked at the same job for over twenty years, the contract employees perceived themselves as employees of the US Government. Confusion and/or misunderstandings were further compounded by the actions of some Embassy personnel. Rather than dealing with the contracting officer or his designated representative, contract employees' grievances, disputes, and requests for pay raises are discussed with US supervisors and the Embassy Personnel Officer. This officer, though not the Contracting Officer's representative on any contract except the USEA contract, takes it upon himself at times to discuss and even promise salary increases and improved benefits and attempted to establish pay plans for contract employees. (Recommendation 6e-1)

The so-called contractor basically provided payroll service and some coordination. During the Inspection, plans were being made to transfer the building and maintenance contract and the guard contract to the Employees' Association, which again, could be a contractor in name only. Guard services in Tehran are provided by various companies. The Inspectors recommend that every effort be made to bring these contracts into compliance with the Department's guidance (A-2007, May 5, 1977). These should include contracting with firms that provide these services and arranging for the Employees' Association to provide the necessary supervision and manage the contract personnel. (Recommendation 6e-2)

In addition to the service contracts for local employees, the Embassy has a blanket contract with the Employees' Association to provide US citizen personnel on a temporary basis. Here again, the contract method is taken primarily as an expedient. The contract is mainly used to speed up the placement of PIT employees while administrative requirements (security, establishment of payroll, personnel records, and so forth) are being completed. The employees are recruited, interviewed, and hired by Embassy Tehran. Most never set foot in the Employees' Association offices. Rather, the personnel office sends a notice to the Association delineating who is to be on the Association payroll. In one instance, a PIT employee in Tabriz was working for three weeks before the notice from the Personnel Office was even sent to the Association. Until that time, the only one responsible for the employee's salary was the Principal Officer. Increased emphasis on planning and forecasting of replacements to ensure completion of administrative requirements is necessary to avoid using the contract for this purpose. (Recommendation 6e.3)

There was no documentation available to show that pre-award reviews were being made before contracts were awarded. Consequently, there was no assurance that the best price possible was obtained when the cleaning and gardening contracts were awarded. Both contracts were advertised and responsive bids were received from a sizable number of bidders. However, the contracts were

awarded to the same individual who had the previous contracts and was also the building, maintenance and guard contractor. In both instances, lower bids were received from others, but the justifications for award were not substantiated and in one instance all costs were not included in determining the successful bidder. (Recommedation 6e-4)

B. Inventory Control

A physical inventory of nonexpendable supplies had not been completed since 1976. An inventory was in process during the Inspection It is doubtful that the inventory will be completed in a reasonable period of time or if a meaningful reconciliation can be made because stock record card balances include both warehouse stocks and items issued to offices and residences. As a result, time-consuming and unnecessary attempts will be necessary to inventory all nonexpendable property including items in offices and residences as well as the warehouse in order to reconcile recorded balances.

Embassy Tehran should improve property control and facilitate physical inventories by establishing stock record cards for those items that are on hand in the warehouse. Annual physical inventories can then be made of warehouse stocks and reconciled to recorded balances. Nonexpendable items that have been issued should be accounted for on individual household or office inventories and generally should be inventoried when residents or accountable individuals change. (Recommendation 6e-5)

C. Housing Policy

Embassy Tehran should be complimented for its efforts to obtain adequate leased housing for Mission personnel. The Inspectors believe that accomplishments in this one area have played a major role in improving employee morale. However, whatever policy exists concerning assignment is not current, and the Housing Board was not representative of all Mission

elements and was dormant. As a result, acceptance of quarters has, at times, been subject to individual whim and, although occupancy rates have remained high, there have been instances of high-cost units remaining empty for extended periods of time. In addition, preparation of quarters for new arrivals was not always thorough and additional clean-up was required by occupants. The Inspectors believe that Embassy Tehran housing policy should be formalized and published and that a Housing Committee that is truly representative should be established to provide balanced participation. (Recommendation 6e-6) Further, housing should be inspected thoroughly for cleanliness prior to occupancy by new arrivals. (Recommendation 6e-7)

D. Motor Pool Operations

Motor pool operations could be enhanced by performing both vehicle utilization and gasoline consumption studies. Gasoline issues average about 400 gallons a day and will cost about $50,000 for 1978. Some vehicles, even when considering Tehran's horrendous driving conditions, are, at times, consuming inordinate amounts of gasoline averaging only four miles a gallon. At other times, the consumption rate was much better for the same or similar vehicles. Consumption studies would help to pinpoint possible causes for exceptionally high consumption. The number of vehicles assigned to Embassy, Tehran was not excessive. Some vehicles however were consistently used for heavy duty service while other similar vehicles were not. Vehicle utilization studies, if performed, would enable better scheduling, and more even usage thereby increasing the useful life and serviceability of the entire fleet. Utilization studies would also highlight any maintenance problems being encountered. (Recommendation 6e-8)

RECOMMENDATIONS

6e-1. Embassy Tehran should insure that only personnel authorized to negotiate with contractors and contract employees deal directly with them.

6e-2. Embassy Tehran should attempt to comply with the Department's guidance (A-2007, May 5, 1977) on contracting for services by contracting with firms that provide the services and arranging with the Employees' Association to supervise and manage the contract employees.

6e-3. Embassy Tehran should establish procedures which would ensure a minimum of delay in the administrative processing of new PIT employees and curtail using the contract with the Employees Association as a vehicle to bring PIT employees on board.

6e-4. Embassy Tehran should establish a pre-award review procedure to ensure that the contracting officer's decisions are sound and supported.

6e-5. Embassy Tehran should establish stock record cards for nonexpendable items showing balances for quantities in stock in warehouses. Annual physical inventories should be performed and reconciled to stock record card balances. Household and office inventories should be performed when there are changes in accountable personnel.

6e-6. Embassy Tehran should formalize and publish a current uniform housing policy and establish a Housing Board to include broad representation, including staff personnel.

6e-7. Embassy Tehran should ensure by careful visual and detailed inspection by US personnel that quarters are properly and thoroughly cleaned prior to occupancy by new arrivals.

6e-8. Embassy Tehran should perform vehicle utilization and gasoline consumption studies on a recurring basis.

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DEPARTMENT OF STATE

THE CONDUCT OF RELATIONS WITH IRAN (NEA/IRN)

INSPECTION MEMORANDUM No. 6f

Post: Tehran July 1978

MEDICAL

Facts

A US Army Hospital is located in Tehran. In addition, the Embassy maintains a Health Unit at the Embassy Compound which is staffed part-time by a contract American nurse and an American physician. The responsible Regional Medical Officer (RMO) is stationed at Embassy Kuwait.

Largely due to the efforts of a concerned group of American parents, an organization called the Social Development Center (SDC) has been formed to operate a psychological counseling service for Americans in Tehran. SDC is staffed with an American psychiatrist, four locally-recruited professional assistants, an administrative assistant, and a secretary. The US Employees' Association (USEA) acts as the banker and disbursing agent for SDC. Otherwise, SDC operates as a separate entity.

Evaluation and Conclusions

Medical care in Tehran is generally adequate; but medical evacuations are made when deemed advisable

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by attending physicians. The Director of the Army Hospital was opposed to the establishment of the Embassy Health Unit and has not always been cooperative with Health Unit personnel. To avoid possible complaints by the Government of Iran, which funds The Army Hospital, the Hospital has discontinued providing medical supplies to the Health Unit even though the financing trust fund was being reimbursed. The Health Unit now obtains its medical supplies from the US Army in Germany.

Various American employees of the Embassy have expressed dissatisfaction with the rude service and occasionally inadequate care provided at the Hospital. While similar complaints could probably be lodged against almost any hospital, a method should be devised by which such complaints are to be investigated and faults corrected. One of the more repetitive complaints about the Hospital is the $20 fee which is sometimes charged and sometimes waived for repeat visits involving the same illness. (Recommendation 6f-1)

A previous Ambassador objected to the plan of M/MED to station an RMO in Tehran, since he hoped to reduce the official US presence in Iran for security reasons.

Although SDC operates under USEA patronage, it provides counsel to all Americans in Iran and is largely financed by American business firms. The SDC Director is hired through a USEA contract, while other SDC employees are hired directly by SDC. Since an employees' association has no authority to provide services to unofficial Americans, the responsibility for the financial oversight of SDC should be transferred to the Tehran American School or Community Church. M/MED would then make its grant to SDC through the School or Church rather than USEA. The School or Church would take on the role of banker and disbursing agent for SDC, but SDC would still operate as a separate entity. (Recommendation 6f-2)

The Department (A/OPR and M/MED) have not provided guidelines to the Embassy for SDC operations. (Recommendation 6f-3)

RECOMMENDATIONS

6f-1. Embassy Tehran should establish procedures to review complaints by USG civilian employees relating to service and care at the US Army Hospital in Tehran and request corrective action by responsible military officials where necessary.

6f-2. Embassy Tehran should transfer the financial oversight of the Social Development Center from the US Employees' Association to the Tehran American School or Community Church.

6f-3. The Department (A/OPR and M/MED) should issue operating guidelines to Embassy Tehran for the Social Development Center pending implementation of Recommendation 6f-2 above.

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DEPARTMENT OF STATE

THE CONDUCT OF RELATIONS WITH IRAN (NEA/IRN)

INSPECTION MEMORANDUM No. 6g

Post: Tehran July 1978

REAL PROPERTY

Facts

The US Government owns the 27 acre Embassy compound, plus the office building occupied by ICA in Tehran. In addition, the Embassy has short-term leases for an Embassy office annex, a Trade Center, separate Agricultural offices, and about 111 residential quarters at an annual cost of about $1,800,000. Among the structures located on the Embassy Compound are the Chancery, Ambassador's Residence, DCM's residence, and about fifteen other buildings.

Evaluation and Conclusions

Poor utilization is being made of the Embassy Compound. It has ample space for additional office buildings and residential quarters, which are badly needed. A professional appraisal of the value of this land has not been made, but informal estimates made by Embassy officials range from $65 million to over $250 million. Neither the Embassy nor A/FBO has analyzed alternative ways of obtaining the best use from this property. In view of its high value, a study should be made to determine whether part could be exchanged for office and apartment buildings--built to A/FBO specifica-

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tions either on the Compound or, if available, on less expensive land elsewhere in Tehran. An FBO expert or AMAT should be sent to Tehran for this purpose. (Recommendation 6g-1)

The lease on the present Embassy office annex is scheduled to expire on June 30, 1979. This building is totally unsuitable for the current number of applicants for Consular services. If the lease on this property were renewed, the annual rental cost would probably jump from about $36,000 to $150,00 a year. Alternatives are to construct a pre-engineered building on the Embassy Compound or rent a more suitable building. Plans to trade a part of the A/FBO property in Tabriz for a pre-engineered office building and a pre-engineered Marine House to be located on the Embassy Compound seem to have fallen apart. The Embassy has proposed that A/FBO directly fund the purchases of these buildings. (Tehran 06247 of June 29, 1978.) If that course of action is not practicable, the Embassy is considering leasing a building across the street from the main Embassy driveway for about $240,000 a year. (Tehran 06212 of June 28, 1979.) A prompt decision by the Department (A/FBO and NEA/EX) as to where the Consular Section will be located after June 30, 1979, is needed. (Recommendation 6g-2)

The Marine House, Health Unit, and Student Visa Annex are currently located in the former transient apartments in the Embassy Compound. These aged buildings could not economically be brought up to first-class condition and should therefore, be demolished, whenever practicable. Also, the temporary wooden structure at the front of the main Embassy Compound, which once housed the Student Visa Annex, is unsound and should be torn down as soon as practicable. (Recommendation 6g-3)

The heating and cooling systems in the Chancery and Ambassador's Residence were of inferior quality to begin with and are becoming aged. When the oportunity permits, A/FBO should have a qualified representative visit

Tehran to plan for the eventual replacement of these systems.

RECOMMENDATIONS

6g-1. The Department (A) should send a FBO expert or AMAT to Tehran to develop a long-range real estate plan for the Embassy.

6g-2. The Department (A/FBO, CA and NEA/EX) should make a prompt decision as to where the Consular Section of Embassy Tehran will be located after June 30, 1979. If at all practicable, A/FBO should directly fund the construction of a building for the Consular Section on the Embassy Compound.

6g-3. The Department (A/FBO) should authorize Embassy Tehran to demolish the former transient apartment buildings on its compound, whenever practicable, and demolish the temporary wooden structure near the front of the Embassy Compound, which formerly housed the Student Visa Annex.

6g-4. The Department (A/FBO) should have a qualified representative visit Tehran to plan for the eventual replacement of the heating and cooling systems in the Chancery and Ambassador's Residence.

Lawrence A. Fowler
Inspector

Charles T. Cross
Senior Inspector

DEPARTMENT OF STATE

THE CONDUCT OF RELATIONS WITH IRAN (NEA/IRN)

INSPECTION MEMORANDUM No. 6h

Post: Tehran July 1978

SECURITY

Facts

The following have direct responsibility for the security of Embassy Tehran and its tenant agencies:

American Security Officers	3
Marine Security Guards	14
Iranian National Police Guards	70
Local Contract Guards	47
FSL Receptionist	1
American Technical Security Officer (TSO)	1
Seabee	1
FSL Investigators	4
American Contract Identification Assistant	1
American Secretary	1
	143

Separate US military organizations in Tehran have additional security personnel. The Security Officers, FSL Investigators, TSO and Seabee also have responsibilities relating to security at constituent posts in Iran. In addition, the TSO and Seabee provide technical security services to posts in the Persian Gulf states.

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Evaluation and Conclusions

Security planning and supervision at the Embassy have been very good. A security survey was completed in June 1978; and the E&E plan has just been updated. Groups which may periodically affect the safety of the estimated 40,000 Americans in Iran--mainly here for business reasons--include leftwing terrorists, xenophobic religious agitators, student activists, and temporary coalitions thereof.

From a cursory viewpoint, the Consular Section is the most vulnerable of official US activities in Tehran. It is located in a leased building about two blocks from the Embassy Compound. Physical controls over access are weak and cannot be easily strengthened. Large numbers of Iranians are often in the structure or on the street awaiting admission. As has been pointed out previously, the only practicable solution is to move the Consular Section to other quarters so that better physical security can be provided.

Due to the large numbers of visa applicants, a separate Student Visa Annex has been established for the summer season, as has been the practice in recent years. This facility is currently located in a former transient apartment building at the rear of the Embassy Compound. The location will permit thousands of students to observe the fact that entrance to the Embassy Compound could be made through the former transient apartment buildings, which are now used to house the Marine Security Guards and Embassy Health Unit, as well as the Student Visa Annex. Preferably, the entrance on the street side of the buildings should be secured and equipped with alarms to alert the guards in the event that they are opened. (Recommendation 6h-1)

Most observers have agreed that these buildings do not constitute adequate quarters under the terms of the Department's agreement with the Marine Corps, and the Embassy has been attempting for several years to make arrangements for the construction of a new Marine House. Consideration should be given to leasing more adequate quarters for the Marines until the proposed structure is completed. (Recommendation 6h-2)

Although most of the 27-acre Embassy Compound is surrounded by walls, its main protection rests on the large number of guards assigned to that task. Unauthorized groups of people are not likely to invade the Chancery due to the guards but knowledgeable individuals, such as former employees, would have relatively little difficulty due to the volume of traffic and the several entrances to the building.

Visitors to the Chancery as a usual rule first enter through a gatehouse where a Marine Security Guard and FSL Receptionist are located in a protective booth and then pass through a walled-in yard to the front door of the Chancery lobby where they wait for their escorts. Another Marine Security Guard is located in a protective booth in the lobby. He controls six entrances to the lobby through electronic locks.

One drawback of the closed lobby is that employees cannot freely pass between work areas on the ground floor, which is a considerable nuisance. The men's toilet is on one side of the lobby and the women's is on the other. Another is that, in the event of an attack, the NCOIC would be locked into his office, which does not have a rear entrance, and not be able to help the Marines on duty. (Recomendations 6h-3)

The door to the east entrance to the Chancery is sometimes defective and does not always close tightly so that the lock will catch. While the Marine on duty in the lobby can observe the door on a television screen, a knowledgeable individual might enter the building through that entrance if not secured and approach his post from the rear. Most employees enter and leave the Chancery through the basement door in the west end, which is also used for moving items into and out of the building. The Marine on duty does not monitor this door but can observe an inner hallway door on a television screen. A contract guard is usually on duty at a booth near this door; but at various times during the Inspection, the door was observed standing open with no guard in sight. A low metal barrier directs people using the stairway out into the lobby on the ground floor. If

they wish to continue up the stairway, the Marine on duty opens another lobby door for them. Anyone so inclined, however, could climb over the barrier and continue up the stairway to the second floor where the Ambassador and sensitive documents are located, without being observed by the Marine.

Various alternatives of controlling access to the Chancery are practicable. For example, a door could be put at the basement entrance to the stairway, equipped with an alarm, and opened only in the event of emergencies. Employees who work in the upper floors of the Chancery could be routed through the east entrance. Local guards could be put at both the basement and east entrances during normal work hours. A barrier could be placed across the lobby and a Marine Security Guard booth could be placed at the stairway side of the lobby, so he could control public access to both the Chancery and the upper floor without impeding traffic between offices on the ground floor. The FSL Receptionist could be moved from the gatehouse to the other side of the lobby, and the Marine Security Guard post in the gatehouse could be abolished. At a minimum, the Department (A/SY) should again review controls over access to the Chancery to make sure that they comply with the minimum standards. (Recommendation 6h-4)

Some of the post's counter-terrorism weapons are stored in the Chancery; others are kept in the FSL Investigators' offices about 50 yards from the basement entrance of the Chancery. All of these weapons should be stored in the Chancery, since the Marines would be stationed in this building if an emergency should occur. (Recommendation 6h-5)

In view of the likelihood that unofficial Americans may also be attacked from time to time, the senior Security Officer has put a great deal of effort into developing a warden system with the active cooperation of about 200 American business firms. The main purposes of this system are to squelch unfounded rumors pertaining to the security of Americans in Iran and pass reliable information to them in the event of an actual emergency.

The Security Secretary has frequently been drafted for temporary duty elsewhere in the Embassy over the objections of the senior Security Officer. In view of the importance of the Security Branch to the Mission and the American business community in Iran, she should not be assigned to temporary duty elsewhere without his consent except in cases of emergencies. (Recommendation 6h-6)

RECOMMENDATIONS

6h-1. Embassy Tehran should secure the entrances on the street side of the former transient apartments at the rear of its Embassy Compound and equip the entrances with alarms so as to alert its guards in the event that the doors or gates are opened for any reason.

6h-2. Embassy Tehran should lease adequate quarters for its Marine Security Guards until its proposed Marine House is actually constructed.

6h-3. Embassy Tehran should relocate the office of its Marine NCOIC so that he will be able to assist the Marines on duty if an emergency should occur.

6h-4. The Department (A/SY) should again review the controls over access to the Chancery in Tehran to make sure that they comply with the minimum standards.

6h-5. Embassy Tehran should store all of its counter-terrorism weapons in the Chancery when they are not in use.

6h-6. Embassy Tehran should not assign the Security Secretary to temporary duty elsewhere in the Embassy except with the consent of the senior Security Officer, except in cases of emergencies.

Lawrence A. Fowler
Inspector

Charles T. Cross
Senior Inspector

DEPARTMENT OF STATE

THE CONDUCT OF RELATIONS WITH IRAN (NEA/IRN)

INSPECTION MEMORANDUM

No.7

Post: Tehran

July 1978

PERSONNEL EVALUATION

Facts

Embassy Tehran submitted all its 1978 Officer Evaluation Reports (OERs) on time.

Evaluation and Conclusions

With a few exceptions the OERs prepared on personnel at this post were balanced and fair. There was no evidence of bias or unfounded criticism. Sections IV.C of the reports dealing with areas for improvement were usually written in a creative and sensible way and in most cases should be helpful to the rated officer. The Review Panel seemed to have operated efficiently and carefully. The Inspectors noted that there were frank exchanges of views among the members of the Panel and that several unsatisfactory or inadmissable comments were changed or removed from OERs as a result of the Panel's reviews.

Most of the Work Requirements Statements were prepared within the required time, and there were no serious delinquencies. The Inspectors were encouraged to see that the post has made excellent use of this

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management tool, linking job requirements with goals and outlining responsibilities clearly.

Alan Berenson
Inspector

Charles T. Cross
Senior Inspector

Lawrence A. Fowler
Inspector

Kenneth N. Rogers
Inspector

DEPARTMENT OF STATE

THE CONDUCT OF RELATIONS WITH IRAN (NEA/IRN)

INSPECTION MEMORANDUM No. 8a

Post: Isfahan July 1978

CONSTITUENT POSTS
CONSULATE ISFAHAN

Facts

Consulate Isfahan is staffed by two Americans and three FSL employees, one contract Consular Assistant, three contract guards, and one contract handyman. The Consul is an FSO-4; the Vice Consul is a first-tour officer. The Consulate is located on the ground floor of the Consul's residence.

There are approximately 10,000 Americans in the Consular District, providing the main justification for the Consulate. Another justification is that Isfahan is growing into a central city for Iran's ambitious military-industrial complex. Isfahan is also a leading educational center and home of politically influential religious conservative elements.

Evaluation and Conclusions

A. Introduction

The Consulate at Isfahan is poorly managed and has not been able to overcome the difficulties created by the loss of key local employees during the past year.

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In fact, none of the local employees has been working for the Consulate for more than 18 months; and the Consul has had to face continuous training problems. Since no real preparations had been made for the Inspection by the Consulate, the Inspectors were able to observe that both the Consul and Vice Consul are sloppy in their work habits, reflected in their cluttered offices bearing evidence of many half-finished tasks. A more experienced Vice Consul might have offset the Consul's weakness in this area. (Recommendation 8a-1)

Another example of the lack of organization is that no current classified files are being maintained while there are leftover files from previous years. The post also suffers somewhat from insufficient support and guidance from the Embassy, particularly in the local employee area where, for example, it took an inordinately long time to replace the ailing, FSL Provincial Advisor, who later died.

When the Consul arrived in July 1977, relations had deteriorated between the local Iranians and the large number of recently arrived Americans, many without overseas experience. Morale in the American community was low and it lacked leadership. The Consul moved in quickly and began to establish cooperative institutions among the Americans such as the Scouting Council and Church Council and an Isfahan Resources Center set up to provide professional help for psychologically disturbed persons and to deal with alcohol, drugs, and other social problems. The Consul also meets with the personnel officers of the large American companies to formulate cooperative and noncompetitive solutions to their joint problems. At the same time he strengthened the Consulate's contacts with the local authorities in order to obtain more cooperation from them. As a result of his efforts, the situation seems to have improved.

These and other consular activities have restricted the amount of time the post could give to political reporting and commercial programs. The post was also

without the services of a local Provincial Advisor for a crucial period of nine weeks. Consequently, the volume of written reports was light but those prepared were of good quality. The post contributes considerably to the overall political reporting of the Mission by telephoning its reports directly.

Commercial work is almost non-existent for the same reasons, but of course the Consul is making a substantial contribution to American business by his assistance to the American companies operating in his area. The new Provincial Advisor has had some background in commercial work and seems to be well motivated and would be able to undertake a commercial program if he were given leadership and guidance from the Embassy. The Inspectors believe that a market survey would be useful in establishing whether increased effort by the Consulate would be worthwhile. In any case, more participation and interest by the E/C Section of the Embassy is desirable.

An inhibiting factor in all of the Consulate's activities is the conservative, inward looking character of the Isfahanis themselves which make contacts difficult and non-productive. The Consul's access to the highest level local officials could possibly be improved if he were brought in earlier and more prominently into the planning and preparation of the many American VIP visits which burden Isfahan every year.

The Consulate has been given permission to hire a PIT American secretary but has not yet done so, partly due to difficulties in obtaining security clearances for the applicants. In addition, the Consulate has requested another American officer and an additional FSL Consular Assistant. Provided that the applicable job description includes secretarial duties, the latter position should be authorized so that the Consulate's practice of contracting for a second local Consular Assistant can be discontinued. Until the post is better organized, it will not be possible to tell whether another officer is really needed. If necessary, Embassy Tehran could send a Consular Officer to Consulate Isfahan during peak visa workload periods to help out. (Recommendation 8a-2)

Little classified material is prepared at the Consulate, and that which is produced could be typed by a PIT American Secretary. However, the Inspectors believe that a qualified Foreign Service Secretary should be sent to Isfahan on temporary duty to straighten out the files and organize the paperwork. (Recommendation 8a-3)

B. Consular Affairs

The Consulate has estimated a non-immigrant visa workload of 3,700 applications for FY 1978. Although this averages out at roughly 15 visas per workday, the flow of applicants is seasonal with a much higher demand in the summer months. At the request of the Iranian security authorities, the Consulate has taken measures to control the numbers of applicants which the Inspectors find unjustifiable from both workload and public relations standpoints. This system requires a prospective visa applicant to come to the Consulate on Thursday at 4:00 p.m. (Friday and Saturday being the weekend) to obtain a number which will permit him to appear to submit his application the following week. Sometimes as few as 20 numbers per day are given out. As a result, a crowd begins to form before the start of office hours on Thursday, standing or sitting on the ground all day in hopes of obtaining one of the numbers. Those who survive this ordeal and obtain one of the limited numbers must then appear before 10 a.m. on their appointed day to be interviewed. Those who are found eligible then return at 4:30 p.m. the same day to pick up their passports.

The Inspectors observed the visa interview process for a period of 45 minutes. During that time ten cases were adjudicated by the Consular Officer. Interviews varied from one to nine minutes in length, the average being about three minutes. Five interruptions accounted for fifteen minutes of that time. In sum, half of the day's twenty allotted cases were interviewed in about one-half hour of actual time, while perhaps a hundred people stood outside in the heat hoping for a number

which would permit them to be among next week's applicants. The Inspectors recommend that this numbering system be discontinued immediately. By realigning their duties, one Consular Officer could, if necessary, devote the entire morning to visa interviews during the rush season, and could handle up to 50 interviews a day without difficulty. Should more than that number appear in one day (unlikely given the annual statistics), they could be given numbers which would give them priority the next day. (Recommendation 8a-4)

Visa "Consolidated Files" are not consolidated but are in about five alphabetical groups. Since the post was only re-opened in 1975, it is not yet onerous for the consular clerk to look in several places when doing the look-out operation. However, the sooner these files are consolidated the simpler it will be, and the Inspectors recommend that the post proceed to do so at once. (Recommendation 8a-5)

Other needed consular files and instructions seem as apt to be located on someone's desk as in the file where it might logically be expected to be found. Again, because of relatively low volume, personnel seem to be able eventually to find what they are looking for, but the filing should be brought up to date and maintained so that memories will not have to be relied on to locate material somewhere in the office. (Recommendation 8a-6)

Services to Americans appear much more responsive than visa services. The day the Inspectors observed the operation was a Thursday, a non-workday for most American firms. It is the heaviest day of the week for services such as notarials and passports, but all cases were handled courteously and efficiently.

At present there is one American in jail in Isfahan's Consular District. This inmate has not been visited every month as required, nor have reports of those visits which were made been sent to the Department (CA/SCS) as stipulated by the regulations in the Arrests Handbook. (Recommendation 8a-7)

The Consulate generally learns of arrests through friends or American employees, and is allowed immediate access to the arrestees, who are invariably well-treated by arresting authorities. In most cases arrestees are released in less than twenty-four hours, thus requiring no report to the Department. Nevertheless, the Inspectors suggest that the post maintain a record of such cases in its files. (Recommendation 8a-8)

The Department (CA/SCS) had advised the Inspectors that the latest List of Attorneys in their files was dated August 29, 1976. The post is presently using an undated list which the Consul states was revised during the past year. This list should be updated and a copy sent to CA/SCS. (Recommendation 8a-9)

At the notarials window, in the same drawer in which the supply of Lists of Atorneys is kept for distribution, the Inspectors found a supply of mimeographed advertisements, dated May 1978, for a "Legal Consultant" firm, together with brief resumes of the firm's members and a map showing its location. These forms should be removed immediately, and the Consulate should take appropriate steps to insure that no action is taken by any member of its staff which would imply that any attorney is recommended or preferred over the others on the list. (Recommendation 8a-10)

C. Administrative Affairs

The contract Consular Assistant is being paid through purchase orders, and the wife of the Consul has been hired at various times. (Recommendation 8a-11) Other contract workers are hired through the "straw man" who has the contract for workers at Embassy Tehran and he in turn subcontracts this responsibility.

Much of the time of the relatively inexperienced FSL Administrative Assistant is wasted. For example, he prepares a complicated RFC reconciliation form for each reimbursement voucher. Seven incomplete reimbursement vouchers, dating back to April 19,1978, were on hand

at the time one of the Inspectors witnessed a cash count on June 28, 1978. (Recommendation 8a-12) The Vice Consul, who made the cash count, had never completed an RFC Reconciliation Statement. (Recommendation 8a-13) The Class B Cashier's funds consist of the equivalent of $9,500 in Iranian currency plus $500 in US currency. This small post has no need for dollars. Cash expenditures during the last month totaled less than the equivalent of $1,000. Thus the fund should be reduced. (Recommendation 8a-14) The Cashier keeps his cash in a key-locked box, which is placed in a locked room at night. For proper control, he should be provided a safe. (Recommendation 8a-15) He takes cash improperly from the consular fee receipt machine without a formal transfer of the funds. (Recommendation 8a-16)

Nonexpendable property records have not been maintained for items provided to the post from Khorramshahr, Tabriz, Tehran, and elsewhere. (Recommendations 8a-17 and 18)

Some security precautions have been taken at the Consulate located on the ground floor of the Consul's residence, but the connecting residential rooms are virtually unprotected with no locks on the windows and easy access over unguarded roofs. (Recommendation 8a-19) The offices are cramped and inadequate; while ample unused space is available in the residential portion of this large structure. (Recommendation 8a-20) While the building is attractive, it is unsatisfactory due to poor wiring, plumbing, windows, doors, and other materials. (Recommendation 8a-21) No E&E Plan was available at the post. (Recommendation 8a-22)

The Consulate has not kept its Retail Price Summary up-to-date. The two acceptable hotels charge a minimum of $57 a day; the current per diem allowance is $61. (Recommendation 8a-23)

RECOMMENDATIONS

8a-1. - Embassy Tehran should explore with the Department (PER/FCA) the possibility of having all first tour consular officers assigned only to the Embassy with replacements for the constituent posts to be selected

from among officers who have gained initial experience at the Embassy.

8a-2. Embassy Tehran should send a Consular Officer to Consulate Isfahan on temporary duty during the peak visa workload and vacation seasons, if necessary.

8a-3. Embassy Tehran should send a qualified American Secretary to Consulate Isfahan on temporary duty to help organize the paperwork at the Consulate.

8a-4. Consulate Isfahan should revise its work schedule and procedures to enable it to process larger numbers of visa applicants during the rush season and discontinue the present system of handing out numbers for interviews only one day per week.

8a-5. Consulate Isfahan should consolidate its visa files in accordance with 9 FAM IV, Appendix D, and CA-274 of January 18, 1977.

8a-6. Consulate Isfahan should bring all its files and manuals up-to-date to insure that required material can be readily located when needed.

8a-7. Consulate Isfahan should visit imprisoned Americans once a month and send a report of each visit to the Department (CA/SCS).

8a-8. Consulate Isfahan should keep a log of arrest cases in which they have taken action but in which no report to the Department is necessary because the period of detention was less than twenty-four hours.

8a-9. Consulate Isfahan should prepare an updated List of Attorneys and forward a copy to the Department (CA/SCS).

8a-10. Consulate Isfahan should refrain from handing out materials for individual attorneys on its list, or otherwise indicating that it may be recommending one attorney over others on the list.

8a-11. Consulate Isfahan should discontinue hiring Consular Assistants through purchase orders and the Department (NEA/EX) should provide an FSL position to provide necessary support to the Consulate.

8a-12. Embassy Tehran should send a F&F Officer to Consulate Isfahan on temporary duty to help simplify its cash accounting procedures.

8a-13. Embassy Tehran should ascertain that each American assigned to Consulate Isfahan knows how to prepare an RFC Cashier's Reconciliation Statement.

8a-14. Consulate Isfahan should return the $500 which it has on hand to RFC Paris and reduce its Iranian currency to that needed for about three weeks' operations.

8a-15. Embassy Tehran should provide a safe to the Class B Cashier at Consulate Isfahan for his exclusive use.

8a-16. Consulate Isfahan should implement A-2711 of 6/29/77 pertaining to the control and handling of consular fees.

8a-17. Embassy Tehran should send a GSO to Isfahan on temporary duty to account for all nonexpendable property provided to Consulate Isfahan since the Consulate was established in 1975--and maintain a record of his actions for the next Inspection team.

8a-18. Consulate Isfahan should establish property records for all nonexpendable items on hand, make annual physical inventories of the items, and account for any difference between the two.

8a-19. Embassy Tehran should send a Security Officer to Isfahan on temporary duty to improve security at the Consul's residence, which is in the same building as the Consulate.

8a-20. Consulate Isfahan should consider using part of the area now used for the Consul's residence as office space.

8a-21. Embassy Tehran should provide more suitable quarters for the Consulate and Consul's residence in Isfahan, whenever practicable.

8a-22. Consulate Isfahan, with assistance from the Embassy, should prepare and keep an E&E Plan on file and make sure that each staff member is aware of his responsibility if an emergency should occur.

8a-23. Consulate Isfahan should submit the necessary reports required to ensure that the per diem allowance for Isfahan is kept up-to-date.

Charles T. Cross
Senior Inspector

Lawrence A. Fowler
Inspector

Virginia Weyres
Inspector

DEPARTMENT OF STATE

THE CONDUCT OF RELATIONS WITH IRAN (NEA/IRN)

INSPECTION MEMORANDUM

No. 8b

Post: Shiraz

July 1978

CONSTITUENT POSTS
CONSULATE SHIRAZ

Facts

Consulate Shiraz opened in September 1975 when the Consulate at Khorramshahr was closed. It is staffed by three Americans, five locals, and headed by a Class 4 Principal Officer. There are also three contract guards and a contract handyman. There are approximately 4,000 Americans in the Consular District. The Consulate provides a full range of consular services except for issuing immigration visas (applicants are referred to the Embassy in Tehran).

Evaluation and Conclusions

A. Introduction

The Consulate at Shiraz is an excellently run and productive post.

Although Consulate Shiraz carries a fairly heavy load of consular work and its services are much appreciated by the increasing number of Americans living in the Consular District, its presence cannot be justified for these reasons alone. However, the Consular District

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comprises the whole of southern Iran and includes the country's major oil-producing centers and ports. Since Consulate officers have excellent contacts in Shiraz itself and travel throughout the vast district on carefully planned schedules to report on political and economic developments, they provide coverage which cannot be adequately obtained from Tehran. Perhaps more importantly, they give a different perspective from the capital which is essential to the better understanding of Iran as a whole and is therefore extremely valuable to the Embassy and to Washington. Taken together with the consular function, these reporting and representation attributes make the post very much in the US interest.

All the operations of the post are well organized and conducted efficiently. All three officers perform consular and administrative functions, and the two junior officers are encouraged to prepare reports on political and economic developments to supplement those of the Principal Officer and for training. Embassy supervision and guidance on policy and management matters is adequate although more consultation during the budget preparation process would be helpful as would be more visits by Embassy section chiefs. The post has not been asked for contributions to country policy documents, and the Inspectors feel that more attention should be given to the need for the Embassy to put together a framework within which operations of the Consulate should take place.

There has been a steady flow of high-quality reports from the Consulate, mostly in airgram or memcon form. The analytical content of these has been excellent, and the subjects chosen by the Principal Officer himself are pertinent to the concerns of the Mission. More guidance from the Political Section of the Embassy would be desirable.

The post also does a good job in economic reporting, during the past year covering particularly well Iran's ports, the road system, electric generating capacity and

agriculture. It does not produce many WTDR's, primarily because the local employee who must be relied upon to do the spade work is not very fast or thorough. Commercial work at Shiraz in general also suffers from lack of attention from the Economic/Commercial (E/C) Section and has been operating pretty much on its own. A market survey would be valuable and more contact between the E/C Section and the Consulate is very much needed.

B. Consular Affairs

Consular operations are handled extremely well in spite of such drawbacks as cramped and inefficient office space, a large and growing American community (4,000), spread out over a Consular District which covers 40 percent of the country, and a rapidly increasing demand for non-immigrant visa services. Visa applications increased three-fold over the past year alone. The post has been able to meet the increasing demand for all types of services by imaginative planning and flexibility of duties of all three officers, which has allowed for regular travel to provide consular services in areas where large numbers of Americans reside without disruption of services at the Consulate itself.

There are no Americans in jail in the Shiraz Consular District at the present time, and there were only three arrests in the last two years. The Iranian authorities formally notify the Consulate of arrests through the Foreign Ministry, but in all three cases, the Consulate had learned of the arrests unofficially and had already been in contact with the arrestee before the official notification arrived. Americans generally receive better treatment by Iranian law enforcement officials than do their own arrested nationals.

There has been one case of alleged mistreatment of an American who was arrested in June 1977 and detained overnight. When the Consulate learned of the arrest, the American was contacted and asked to prepare a statement concerning the incident, which he did. The arrest and alleged mistreatment was duly reported to the Department (CA/SCS) and to the Embassy.

Appropriate expressions of concern were made at local levels, and the Ambassador raised the issue with the Prime Minister. It is believed that this incident was an isolated one and is not typical of the treatment accorded arrested Americans.

C. Administrative Affairs

As mentioned in the 1976 Inspection Report, the title of Position 50-2021-002, Administrative Officer, is inappropriate; since the officer spends the major part of his time on consular and commercial work. The incumbent of this position is serving his first tour. As might be expected, he has experienced some difficulties in supervising long-term FSL employees. For example, he has attempted to give instructions to them, even though he is actually the apprentice. His first-tour predecessors had similar difficulties. For these reasons, we recommend that the position be filled by an individual who has previously served a year or more at Embassy Tehran. (Recommendation 8b-1)

At present, the Consulate is located on the second floor of a duplex and the Consul lives on the first floor. The rooms are built around a well which means that several offices also serve as hallways, a very unsatisfactory arrangement. An entrepreneur has informally offered to build an office building and three townhouses, according to A/FBO specifications, for the Consulate provided that satisfactory leasing arrangements are negotiated. Security at the present Consulate is weak, but the Consul does not desire to implement those recommendations made by the Embassy's Security Officer which would require substantial outlays of capital; inasmuch as he hopes that negotiations with the entrepreneur will be successful. (Recommendation 8b-3)

Close attention was given to procedures used by the Class B Cashier, since he has agreed to pay Rls. 37,314 ($529.65) to compensate for a shortage in his accounts. He is a "dirty desk" man who relies on his memory as to which papers constitute part of his fund; he juggles his reconciliation statements, as

instructed by Embassy Tehran, to show that documents passed to the Embassy are still on hand until RFC transmittal numbers are assigned by the Embassy; he does not keep a running balance of cash in hand in his Accountability Record; he cashes paychecks for local employees; and he submits reimbursement vouchers only once every two weeks. Most of these weaknesses can be traced to the inexperience of his supervisors and lack of adequate guidance from the Embassy. A B&F Officer should visit the Consulate and help establish better cash control procedures. (Recommendation 8b-4) In particular, the RFC transmittal numbers should be assigned by the Consulate rather than the Embassy.

Nonexpendable property records have not been maintained in an acceptable manner. A GSO from the Embassy should visit the Consulate and help establish good control procedures. (Recommendation 8b-5)

With the exception of the controls over cash management mentioned above, administrative support from the Embassy has been satisfactory.

RECOMMENDATIONS

8b-1. Embassy Tehran should explore with the Department (PER/FCA) the possibility of having all first tour consular officers assigned only to the Embassy with replacements for the constituent posts to be selected from among officers who have gained initial experience at the Embassy.

8b-2. Embassy Tehran should have Consulate Shiraz' offices moved to secure quarters as soon as practicable. If the move would be delayed more than 12 months, it should implement the recommendations made in its most recent security survey.

8b-3. Embassy Tehran should send a B&F Officer to Consulate Shiraz for the purpose of establishing better cash control procedures.

8b-4. Embassy Tehran should send a GSO Officer to Consulate Shiraz for the purpose of establishing better nonexpendable property control procedures.

Charles T. Cross
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Virginia Weyres
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DEPARTMENT OF STATE

THE CONDUCT OF RELATIONS WITH IRAN (NEA/IRN)

INSPECTION MEMORANDUM No. 8c

Post: Tabriz July 1978

CONSTITUENT POSTS:
CONSULATE TABRIZ

Facts

The American Consulate at Tabriz, in northwestern Iran, is manned by one American officer and 12 local employees (five direct-hire and seven contract). It is situated on a large and attractive compound. It provides needed consular services, especially to the large American population, and does important regional reporting.

Evaluation and Conclusions

The Inspectors have decided to reverse the recommendation of the previous Inspection (1976) and recommend the retention of the Consulate at Tabriz. The value of the post to US interests does not lie only in its excellent reporting of political developments in a critical region of Iran but also in a complex series of interrelated psychological and prestige factors which are important at this stage of US-Iranian relations. It is simply not the time to abandon a highly visible and long-established symbol of American interest in this unstable and separatist region and thus contribute to the uneasiness over the future of the area. Such a move could be misinterpreted by the Government of Iran, which

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is seeking to strengthen its relationship with northwestern Iran.

The closure of the Consulate could also send the wrong signals to nearby Iraq, Turkey, and the Soviet Union, all of whom have their own interests in this territory next to their borders. Further, it would eliminate important services to the 2,000 American citizens who live in the Consular District (during the 1976 Inspection there were only 400). Their numbers are increasing and their problems becoming more complex. The American property at Tabriz is spacious and prestigious and from time to time there has been concern that it is too large for our needs. While that is true at the moment, no other suitable accommodation is available which could be acquired without great expense and, in any case, a portion of it which is not maintained has been offered for sale.

In this connection, there has been speculation that the entire property may be worth a considerable amount of money. Estimates have been quite high based on "free market" values. However, such estimates are unrealistic. The real estate market bubble has burst in Tabriz, and prices have dropped sharply in the past year. Moreover, Iranians will not pay the free market value because they expect that as soon as a sale is completed, the land is likely to be confiscated by the Government of Iran. This has apparently happened many times in the recent past in the Tabriz region. Such confiscation would be compensated at a small portion of the selling price, perhaps 10 percent. There is plenty of open space available in various parts of the city, and land is not at a premium.

Political reporting from Tabriz has been outstanding. The incumbent Principal Officer covers the scene like a blanket. His reporting on the rioting and other factors has been of top quality. (Until the recent past, the Embassy seemed to filter or limit some of the political reporting from Tabriz, but this problem has faded.) However, he has done very little in the economic/commer-

cial area because he neither has the time nor the background to do so.

The consular workload in Tabriz has increased considerably, especially in the protection area. During the inspection, three American young men were arrested in the Tabriz area for car smuggling. The Principal Officer handled the problem with sensitivity and expertise. He had two of the accused Americans transferred from a tiny, windowless cell with a temperature of 100 degrees, where they were sleeping on the floor with twelve unfriendly Iranian inmates, to much more agreeable quarters in the prison hospital ward.

The Inspectors also recommended that passport issuance capability be restored to Tabriz to improve services to the Americans in the region. The non-immigrant visa workload is increasing to the point where it will double from its 1977 volume by 1979. (Recommendation 8c-1)

The Economic/Commercial (E/C) Section of the Embassy should become more active in our operations in Tabriz. For example, the Market Research Officer in the Section currently operating out of the Trade Center in Tehran should visit Tabriz and undertake market research studies. (Recommendation 8c-2) Trade opportunities must exist in this region, but they are not covered.

The Inspectors believe that the Principal Officer is spread too thinly, thereby depriving the US of some of the advantages of maintaining the post in Tabriz. In order to cover the territory and provide adequate services, he must be away too often, leaving the post uncovered. While one officer has been able to keep ahead of the minimum requirements in the consular, political and administrative fields, he has not done so in the economic and commercial areas nor has he been able to report and analyze developments in Northwestern Iran to the desirable depth. The Inspectors, therefore, recommend that a second junior officer, preferably language qualified, be assigned to Tabriz. (Recommendation 8c-3)

The Inspectors concluded that overall administration and management of the Consulate was adequate. An inventory of all personal property was in progress; access to the visa machine was restricted; consular receipts were controlled and the physical plant was being well maintained. One area, however, which required strengthening, was control of the $10,000 cash advance. Unannounced monthly verifications were not being made. Prescribed procedures concerning verification of collections, deposits and intransit items should be followed, and the post should retain the working papers supporting the verification. (Recommendation 8c-4)

RECOMMENDATIONS

8c-1. Embassy Tehran should restore passport issuing capability to Tabriz.

8c-2. Embassy Tehran should send the Market Research Officer to Tabriz to undertake a market survey.

8c-3. Embassy Tehran and the Department (NEA/EX and M/MO) should arrange for a second officer to be assigned to Tabriz.

8c-4. Consulate Tabriz should perform proper verifications of the cash advance and retain verification working papers.

Charles T. Cross
Senior Inspector

Alan W. Berenson
Inspector

Kenneth N. Rogers
Inspector

DEPARTMENT OF STATE

THE CONDUCT OF RELATIONS WITH IRAN (NEA/IRN)

INSPECTION MEMORANDUM No. 9a

Post: Tehran July 1978

OTHER AGENCIES
DEPARTMENT OF DEFENSE

Facts

Army Mission Iran/Military Assistance Advisory Group (ARMISH/MAAG) consists of 918 military and 274 DOD civilian personnel headed by an Air Force Major General who is also the Defense Representative in Iran. Chief ARMISH/MAAG superintends the activities of over 7,000 US contract personnel. ARMISH/MAAG is organized on service lines and monitors foreign military sales (FMS) which in fiscal 1977 amounted to nearly $6 billion and is expected to be $3 billion in fiscal 1978. There are several Technical Assitance Field Teams (TAFT) providing training in a wide variety of weapons systems and military functions.

The Defense Attache Office (DAO) is staffed by eight Americans and five local employees. The Defense Attache is an Air Force Colonel.

Evaluation and Conclusions

The operations directed by the Chief, ARMISH/MAAG must be unparalleled in size and complexity in the military assistance field. He is giving vigorous,

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effective leadership and working smoothly with other elements in the Country Team. The Ambassador is heavily involved in all aspects of Defense Department operations in Iran and is extremely well informed on the details of the programs. He provides guidance at daily staff meetings which are attended by the MAAG Chief.

A very able and hard-working Political/ Military Counselor provides liaison between the Embassy and ARMISH/MAAG and between the US Mission in Iran and Washington. He monitors compliance with regulations and guidelines on military sales and assesses the justifications for purchases of weapons as prepared by the GOI and ARMISH/MAAG. The problems of independent lines of communication which were noted in the previous Inspection Report seem to have disappeared.

The Mission faces its biggest difficulties in complying with the arms sales regulations involving such large numbers of US military personnel and such vast sums. The Inspectors believe that a sincere effort is being made to avoid promoting sales contrary to these regulations and that infractions would be dealt with severely. Nevertheless the line between advising Iranians on the utility and fitness of a weapon and the advocacy of it--or proposing an alternative--is narrow and it will require vigilance by all concerned to see that it is not crossed.

Another problem is the appetite of Iranians for weapons systems requiring higher and higher technology. Although US policy is clearly directed towards helping Iran build modern, effective military forces and acquire the weapons to make them so, the GOI for various reasons often wishes to move into certain types of equipment too rapidly for Iranian capabilities to absorb and utilize them. The Inspectors were briefed on the techniques used to process Iranian requests to purchase weapons and were impressed with the sophisticated and coherent approach to assuring that the flow of equipment, the training of personnel to operate it, places to store it, and the means to repair and maintain it, all were worked out before the requests move forward.

A very large MAAG co-located with its Imperial Iranian Defense Forces (IIDF) counterparts affects and somewhat overshadows the role of the DAO as a contact point with the IIDF and as an advisory to the Ambassador on Iranian military matters. However, Iranians are described as being hypersensitive to foreign military intelligence and rather carefully control and channel DAO's contacts. Nevertheless the DAO is working on biographic matters which are of benefit to the Mission. DAO has good relations with other sections of the Embassy.

Kenneth N. Rogers
Inspector

Charles T. Cross
Senior Inspector

DEPARTMENT OF STATE

THE CONDUCT OF RELATIONS WITH IRAN (NEA/IRN)

INSPECTION MEMORANDUM No. 9b

Post: Tehran July 1978

OTHER AGENCIES
INTERNATIONAL COMMUNICATION AGENCY

Facts

The International Communication Agency (ICA) consists of 14 Americans and 17 local employees in a large and active operation which is tied in closely to the Binational Centers. In the provinces it operates through the Iran America Society (IAS). The ICA locations in Tehran are a large office building, a well-equipped Cultural Center, and a less satisfactory Academic Center. A new building is planned to be built this year by IAS next to the Cultural Center, and the Academic Center will move there.

Evaluation and Conclusions

ICA Iran, which has long been a major element in US-Iranian relations, indeed in the modern cultural life of the country, is gradually readjusting its style and programs to a changing Iran and trying to shift its targets from the older, more established elite, which is linguistically skilled, widely traveled, and largely US-educated, to an audience composed of those who have had less exposure to the US, but also will be coming into position to influence Iranian developments in the

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next 5-10 years. The new thrust would also try to avoid redundancy with those Iranians who already have extensive private ties with the US. Moving in this direction, ICA Iran is strengthening the Farsi component of its programs. It is enlarging the program of the IAS to cover Iranian subjects, giving plays in Farsi, having American specialists lecture on Iranian archeology, culture, and history to provincial audiences. Consideration is also being given to introducing Farsi broadcasts by VOA since such broadcasts from abroad attract the politically curious of all levels. These are all programs designed to broaden ICA's base of contact and fit ICA's overall aim of increasing two-way communication with other peoples. However, the ICA staff itself cannot carry the entire load and the Inspectors believe that more Americans from the rest of the Mission should be encouraged to participate in the Iran America Society. (Recommendation 9b-1)

Another important area of concentration for ICA Iran is the students going to the US. There are an estimated 50,000 Iranians there now and the number is increasing rapidly every year. These students represent both a powerful potential asset for the future and a serious liability for the present. On the positive side they will add to the already large number of educated Iranians who know about and are sympathetic to the US. Against this are the many unqualified students in the US who get caught up in anti-regime activities intended to discredit the US-Iranian relationship. ICA is expanding its student counseling and orientation programs and strengthening its huge English language training effort where 15,000 Iranians are enrolled in courses under the aegis of the IAS. This program is entirely self-supporting and also pays the operating costs for the Binational Centers.

The number of unqualified Iranian students going to inadequate schools is also a matter of concern to the Consular and Political Sections. The Inspectors believe that a more definitive policy on student visas should be developed and that ICA Iran with its special expertise should be a key participant in the process. (See Inspection Memorandum 5)

Exchange programs, while active, are somewhat less crucial to US objectives because of the enormous number of ties already existing between Iranian and American institutions, obviously many of them promoted and encouraged by ICA and its predecessor. The exchange programs therefore are small and relatively limited in scope. The GOI pays over half the costs with ICA only "topping off" to enhance individual exchanges.

The direction and emphases of ICA programs are well keyed in the Country Plan to US objectives in Iran. The Ambassador took a direct personal interest in the preparation of the plan and in pressing for stronger action to enlarge and alter the range of ICA contacts. The PAO is an important member of the Country Team whose views appear to be sought on all matters concerning public diplomacy. There is close cooperation between ICA and the E/C Section, and ICA has been of major assistance in the Mission's commercial programs. The Political and E/C Sections contribute to the Audience Records Service (ARS). The Inspectors believe that more use could be made of this excellent facility in reverse because these sections could gain increased contacts by using ARS for guest lists, visits, and so forth. According to the PAO, the administrative support provided by the Embassy has been excellent given the problems of working in Tehran; the difficulties of housing which embittered the relationship between Mission elements in the past seem to have been largely ameliorated. (Recommendation 9b-2)

RECOMMENDATIONS

9b-1. Embassy Tehran should encourage a wider participation by Mission personnel in the Iran America Society.

9b-2. Embassy Tehran should encourage greater use of the Audience Records Service of ICA Iran by other officers of the Embassy, particularly the Political and Economic/Commercial Sections.

Charles T. Cross
Senior Inspector

DEPARTMENT OF STATE

THE CONDUCT OF RELATIONS WITH IRAN (NEA/IRN)

INSPECTION MEMORANDUM No. 9c

Post: Tehran July 1978

OTHER AGENCIES
DEPARTMENT OF JUSTICE:
THE DRUG ENFORCEMENT AGENCY

Facts

The Drug Enforcement Agency is represented at Embassy Tehran by an experienced officer. His office is in the Consular building, a somewhat inadequate structure destined for relocation. He has one American Secretary. The DEA Officer in Tehran reports to the DCM and briefs him every two weeks on his activities. He also receives support from the Ambassador to whom he has access when necessary.

The Narcotics Coordinator is the second ranking officer in the Political Section. The Narcotics Committee, chaired by the DCM, has nine members drawn from such representative groups as the Agricultural Attache, MAAG, ICA, and, of course, DEA.

Evaluation and Conclusions

The DEA Officer is largely engaged in liaison with host country police authorities. He finds that relationship excellent. He is involved in institution-building, technical support and joint investigations on

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matters relating to drug activities beyond the borders of Iran. Intelligence liaison is generally related to shipment or trans-shipment of drugs out of or through Iran. The DEA Officer also lectures on drug abuse problems in various settings. He understands the Mansfield Amendment which limits DEA personnel from participating in raids.

Iran has for some time been a scene of drug abuse and has about half a million opium users and 50,000 heroin addicts. Although the cultivation of opium poppies was banned by Iran in 1955, smuggling from Turkey and Afghanistan plagued Iran; in 1969 Iran resumed legal cultivation to provide opium for the 167,000 registered addicts in Iran. Such cultivation is now permitted on 23 farms with a total annual production of about 300 kilos. Each year the age eligibility for Government rations of opium is reduced by one year. At present, only those 62 or over are eligible for the program. Iran takes drug abuse problems seriously and has executed about 300 persons in the last decade for smuggling, although none recently.

Kenneth N. Rogers
Inspector

Charles T. Cross
Senior Inspector

DEPARTMENT OF STATE

THE CONDUCT OF RELATIONS WITH IRAN (NEA/IRN)

INSPECTION MEMORANDUM No. 9d

Post: Tehran July 1978

OTHER AGENCIES
DEPARTMENT OF AGRICULTURE

Facts

The Department of Agriculture is represented in Iran by a senior Foreign Agricultural Service Officer and a junior Assistant Attache who is on his first tour overseas with the Department of Agriculture. The Attache's offices are located in an office building about two blocks from the Embassy compound. The office spaces are adequate and better than those earlier occupied by the FAS in the somewhat shabby Consular Section building nearby. The main function of the Agricultural Attache Office is to provide ongoing analysis of agricultural reporting including weather, trade policy developments, price changes, and reporting on commodity availability and imports.

The Attache submits a report on the general agricultural outlook every month and a major agricultural situation policy report, as a part of a CERP requirement once a year. This broad report includes a general economic situation report, agricultural policy and planning, information on specialized agricultural organizations, agricultural budget and planning, research and credit, as well as education and extension services.

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Extensive reporting on pricing, marketing, and agricultural trade, tariff duties, and state trading are important features of the report. Land use, farmer organizations, resources, and some aspects of labor reporting are included. Highly detailed reporting is produced on crops, especially cotton, sugar, potatoes, grains, and vegetables.

The main work of the Attache beyond reporting is to support sales of American agricultural products in Iran and to participate in activities of the US-Iran Joint Commission. Sales to Iran of US agricultural products total one-half billion US dollars per year at present. The main products are white wheat, soybeans and soybean oil, cottonseed oil, rice, and other grains, especially the feed grains sorghum, barley, corn and such other products as frozen chickens. Dairy cows are imported live by air from the US.

The Agricultural Attache's Office helps with the sale of agricultural machinery from US suppliers as well as chemicals, including fertilizers, in conjunction with the Economic/Commercial Section. The Agricultural Attache on occasion has small food shows and used the US Trade Center once (in June 1977) for that purpose.

Evaluation and Conclusions

The office of the Agricultural Attache, Tehran, is very busy and highly productive. The dollar volume alone of US agricultural sales in Iran is an illustration of the importance of the activity of the office. The number of visitors from the US to the office of the Agricultural Attache exceeds 1,000 per year.

The reporting of the Attache is valuable and comprehensive. It adds a very significant and helpful adjunct to the economic/commercial reporting of the Embassy.

In the past, the office of the Agricultural Attache was a part of the Office of the Economic Counselor, which caused some difficulty in coordination and release of

reports by the Attache. This has now been resolved, and the responsibility of coordinating reporting is at the option of the Agricultural Attache.

The Attache, noting the need for improved sales opportunities in the agricultural, mechanical, technical, and chemical field for US products in Iran, developed for the Economic/Commercial Section considerable material to facilitate such sales.

The Agricultural Attache participates in one of the five committees on the Joint Commission, that of Agriculture, and is most active in facilitating the work of that Commission in the field of animal health, forest fire prevention, agricultural education, plant quarantine, and meat inspection, among others. (For a description of the Commission see Inspection Memorandum 4.)

The office space of the Agricultural Attache is adequate, but when the opportunity exists after construction on the Embassy compound, his office should be moved there. This will facilitate the interests of both the FAS representative and other elements of the Embassy.

Kenneth N. Rogers
Inspector

Charles T. Cross
Senior Inspector

DEPARTMENT OF STATE

THE CONDUCT OF RELATIONS WITH IRAN (NEA/IRN)

INSPECTION MEMORANDUM

No. 9e

Post: Tehran

July 1978

OTHER AGENCIES
DEPARTMENT OF COMMERCE:
THE UNITED STATES TRADE CENTER IN TEHRAN

Facts

The Trade Center in Tehran was established in 1973 prior to the oil price boom. Of the fifteen Trade Centers of the Department of Commerce, it is one of only two not operated by the Office of International Marketing. (The Center in Moscow is under the Office of East-West Trade in Commerce.) The Tehran Trade Center is operated by the Commerce Action Group for the Near East (CAGNE).

The Department of Commerce Trade Center in Tehran is staffed by two American Department of Commerce employees, five local employees funded by the Department of Commerce, one funded by the Department of State, and five personal service contract employees. An FSO-5 is assigned to the Trade Center from the Embassy's Economic/Commercial Section (E/C) as Market Research Officer. The Trade Center is under the supervision of the Economic/Commercial Counselor at the Embassy. The Center, located in downtown Tehran, held nine major exhibition shows during the two-year period since the last Inspection. The Center also supports, as required, participation of

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US exhibitors in shows held in Tehran at the International Trade Fair.

The major events held since the last Inspection:

Date	Topic	Number of Participants	Registered Visitors
Oct 76	Business Equipment and Systems	23	663
Feb 77	Communications Equipment	21	717
Jun 77	Water Resources	26	241
July 77	Automotive Diagnostic	11	690
Nov 77	G&W Jeep	10	75
Dec 77	Building Materials and Equipment	21	650
Jan 78	Chemical/Petrochemical	24	418
Mar 78	Food Processing and Packaging	13	407
May 78	Solar Energy	14	444

Evaluation and Conclusions

The Trade Center in Tehran is reasonably busy during exhibits, but activity at the Center between shows is light, despite strong efforts by the Center to stimulate interest. The Center is limited by its physical arrangements, which are fairly modest, at least in the display areas, and the absence of parking, a problem throughout downtown Tehran.

The Commerce Department employees at the Center are experienced officers. The Center Director has had some fifteen years' experience in marketing for a major

American corporation, as well as extensive experience in the Department of Commerce and as Director of the Trade Center in Bangkok. The Assistant Director has had experience in trade promotion shows.

The US market share in Iran has dropped slightly over the last two years, but the dollar volume of sales of the US has increased. Marketing is highly competitive in Iran and is not an easy task. Planning, arrangements, and organizing are much more difficult than in most other Trade Centers. Nonetheless, with the cooperation of the Economic/Commercial Section and the support of an FSO for market research, useful results have been achieved, especially in "off-the-floor" sales, and in the "new-to-market" area. Some shows have been quite successful, but some not. However, it is difficult to measure results from the major exhibits or shows alone with enough accuracy to provide a firm rationale for continuing the Center in Tehran. The Inspectors' review of Trade Center operations leads them to the belief that it is nearing the conclusion of its productive existence and soon will not be worth continuing. The general philosophy of Trade Center operation, as the Inspectors understand it, is to phase out after a number of years of activity and they recommend that the Center in Tehran be phased out by CY 1980, unless considerably more and effective use can be made of the facility. (Recommendation 9e-1)

The Tehran Trade Fair grounds would seem to provide a reasonable alternative for display of US products; it has already been used by US firms when the site has appropriate themes and when they participate in the annual International Trade Fair.

Any possible political reactions to closure should be considered before a final decision is made, although they seem slight at this time.

The Center has had severe problems with customs records on items having passed through the Trade Center

for display. This has caused undue difficulties with the Iranian Customs authorities and requires closer attention, even though improvements have been noted in this situation. (Recommendation 9e-2)

If the Center is closed, the Market Research Officer position should be retained in the Economic/Commercial Section (E/C). That Section needs to be strengthened and some services provided by the Center to US business visitors should then be carried out by the E/C Section, for example, assisting and advising them in getting around in the Iran business community where conditions require guidance for the new business visitor.

RECOMMENDATION

9e-1. Embassy Tehran should review the activities of the Trade Center with a view to either greatly increasing its effective utilization or recommending a schedule for phasing it out by CY 1980. The Embassy, in conducting the review, should invite comments from EB, NEA/IRN, and the Department of Commerce.

9e-2. The Tehran Trade Center should clear up the customs records problem with local officials on items having passed through the Trade Center.

Charles T. Cross
Senior Inspector

Alan Berenson
Inspector

Kenneth N. Rogers
Inspector

DEPARTMENT OF STATE
THE CONDUCT OF RELATIONS WITH IRAN (NEA/IRN)

INSPECTION MEMORANDUM No. 9f

Post: Tehran July 1978

OTHER AGENCIES
DEPARTMENT OF THE TREASURY:
INTERNAL REVENUE SERVICE

Facts

The Internal Revenue Service Office at the American Embassy Tehran is one of fourteen such offices in major cities around the world and has been in Tehran since 1974. The Office operates from the Foreign Programs Division, Office of International Operations of the Internal Revenue Service. It has regional responsibilities beyond Iran which include Lebanon, Libya, Egypt, Bahrain, Jordan, Kuwait, Iraq, Oman, Yemen, Qatar, Syria, the United Arab Emirates, Saudi Arabia, Pakistan, and Afghanistan. It is located in the Consulate General Building about three blocks from the Embassy.

The office in Tehran is under the supervision of a GS-15, assisted by a GS-14, both Department of the Treasury employees. There is one American citizen, local-hire Secretary. The office is on the fourth floor of the Consulate General building, about two blocks from the Embassy Compound. During six months of the year, the staff is augmented by TDY personnel to assist American taxpayers in the preparation of their tax reports. The IRS office is nominally associated with the Embassy's Economic/Commercial Section.

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Evaluation and Conclusion

The IRS representatives try to cover every major city in the area twice a year, a nearly impossible goal.

The primary function of the office is to try to insure compliance with the US tax laws by American citizens, US corporations doing business in the area and by foreign nationals subject to US tax. The main activities of the office include taxpayer assistance, audit collections, and liaison with tax officials of governments in the region. There are a large number of Americans in the area, about 41,000 in Iran and 35,000 in Saudi Arabia, for example.

This has been a particularly hectic period for the IRS as Congress addresses Section 911 of the tax code which would affect the tax liability of Americans other than Government officials residing overseas. This issue is not only of concern to the taxpayers, but to their corporate employers, as changes would alter the cost of doing business and our competitiveness.

There are a large number of US resident aliens who are Iranian citizens and who have returned to Iran with so-called "green cards." Such persons are deemed to have become "residents" of the US even though they may well spend little time in the US. They are therefore subject to US tax laws for income acquired anywhere in the world. Enforcement of collection is not practical from such individuals in most cases, at least for income derived from sources in Iran, because there is no tax treaty between the US and Iran. This has been studied from time to time but has languished. It is recommended, therefore, that renewed efforts to enter into a tax treaty arrangement with Iran be undertaken. (Recommendation 9e-1)

RECOMMENDATIONS

9f-1. The Department (EB/IFD) in concert with the Department of the Treasury, should pursue a tax treaty with Iran.

9f-2. Embassy Tehran should insure that when new quarters are found or built for the Consular Section, such facilities should include adequate office space for IRS.

Kenneth N. Rogers
Inspector

Charles T. Cross
Senior Inspector

DEPARTMENT OF STATE

THE CONDUCT OF RELATIONS WITH IRAN (NEA/IRN)

INSPECTION MEMORANDUM No. 10a

Post: Tehran July 1978

OTHER ACTIVITIES
THE TEHRAN AMERICAN SCHOOL

Facts

The Tehran American School is a private non-profit co-educational school which offers an educational program from first through twelfth grades. Present enrollment is about 3,200.

Evaluation and Conclusions

The school received grants of $17,500 in June 1976; $7,500 in April 1977; and $2,500 in September 1977. Except for the expenditure of funds for use of a foreign flag carrier during the period of the June 1976 grant, all other expenditures were in accordance with the terms of the grants. The only explanation provided for the use of a foreign flag carrier was administrative oversight. If this is the case and there is no additional justification, then the cost of the air fare, $1,026.52, is questionable and should be recovered. (Recommendation 10a-1)

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RECOMMENDATION

10a-1. Embassy Tehran should review the justification for the use of a foreign flag carrier, and, if it cannot be justified, recover the cost of the air fare.

Alan Berenson
Inspector

Charles T. Cross
Senior Inspector

DEPARTMENT OF STATE

THE CONDUCT OF RELATIONS WITH IRAN (NEA/IRN)

INSPECTION MEMORANDUM No. 10b

Post: Tehran July 1978

OTHER ACTIVITIES
THE UNITED STATES EMPLOYEES' ASSOCIATION

Facts

The United States Employees' Association (USEA) is one of the largest operations of its type in the Foreign Service. There are about 8,000 members consisting of US citizens assigned to official duty in Iran and retired US military or State Department personnel living in Iran who have been granted limited duty-free purchasing privileges by the GOI. USEA operates a restaurant, snack bars, sales store, taxi service, employment service, transient apartments and a mail order service. Annual sales through June 30, 1978, are forecast to exceed $6 million. If planned expansions of operations take place, annual sales are projected to approach $10 million.

The last independent audit, performed by public accountants, was for the 18-month period ending December 1976. Current plans call for an audit to be made in July 1978 by qualified disinterested US Government employees.

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Evaluation and Conclusions

Controls over operations are basically sound. However, the amount of insurance in force for merchandise losses due to fire, storm, catastrophe and so forth, needs to be increased. Presently, insurance in force provides coverage of $1 million but the value of merchandise on hand has been as high as $1.5 million. Since insurance will very rarely pay the full value of the insured amount, the potential loss to USEA could be substantial. (Recommendation 10b-1) Another area requiring closer review is the amount of idle cash on hand which could be earning interest if invested in short-term time deposits. As of April 30, 1978, over $1 million was either on hand or on deposit in checking accounts. (Recommendation 10b-2)

In a related area, we found that USEA could provide accounting assistance to the US Embassy Tehran Recreational Advisory Group. Recently the Advisory Group has had some fund raising functions and more are planned. Controls over receipts and disbursements, however, are virtually non-existent. Cash is kept in a lock box in the file cabinet of a US Embassy employee, and the documentation that does exist consists of pencil notations on pieces of paper.

In order to establish accountability and controls as well as preclude the chance or suggestion of any type of trouble in the future, the funds should be transferred to a trust account maintained by USEA and all transactions accounted for. (Recommendation 10b-3)

RECOMMENDATIONS

10b-1. Embassy Tehran should require USEA to increase its casualty insurance coverage to preclude potential losses.

10b-2. Embassy Tehran should require USEA to establish minimum operating cash requirements. Amounts in excess of requirements should be placed in time deposits.

10b-3. Embassy Tehran should require the Recreational Advisory Group to transfer all funds to USEA which would establish a trust account for the Group and record all applicable transactions in the future.

Alan Berenson
Inspector

Charles T. Cross
Senior Inspector

DEPARTMENT OF STATE

THE CONDUCT OF RELATIONS WITH IRAN (NEA/IRN)

INSPECTION MEMORANDUM

No. 11

POST: TEHRAN

July 1978

SCIENTIFIC AFFAIRS

Facts

Scientific affairs at Embassy Tehran are addressed in the Economic/Commercial Section. The Science Attache deals with an important range of subjects including nuclear matters.

Evaluation and Conclusions

Iran is a signatory to the Nuclear Non-proliferation Treaty and has ratified it. As a result of the Nuclear Cooperation Act signed by the President in April 1978, all nuclear cooperation agreements must be renegotiated and upgraded. Iran was the first nation where this was achieved. Therefore, the importance of the negotiation and its impact on other nations, which number about 40, is considerable.

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The Science Attache also serves as the Population Officer and maintains active contacts with Iranian officials in the Ministry of Health and Social Welfare. He prepares assessments on Iran's family planning programs for AID and otherwise acts in a liaison capacity. Although there is no direct contribution by the US to Iran's population programs, we participate in world-wide UN efforts, such as the International Planned Parenthood Federation. In addition, because of the essential tie-in between technology designed to raise living standards and family planning, the Science Attache can play a catalytic role. The Inspectors felt that he is performing well in this field.

One important aspect of the office of the Scientific Attache is more directly related to the work of the Economic/Commercial Section and includes important efforts in the sales promotion of engineering, technological and scientific equipment and services.

Such sales efforts require a degree of knowledge not normally expected of a commercial officer, and thus the United States has an advantage in the presence of a Science Attache in Tehran. About half of his work is trade promotion and commercial sales. Another portion of his work is interaction with the academic and scientific community in Iran, which he would like to expand if a full-time assistant could be assigned.

The Science Attache pays close attention to selected American business visitors and assists them as much as possible, particularly in the nuclear, wind and electric power, and solar energy fields. These are areas where other nations, for example, France and Germany, are also very active. The United States has apparently been losing market ground to others and, ironically, to companies from those countries with licensing agreements for the construction of US-designed equipment. The US seems to be underbid and are not competitive in providing on-site services and continuing evaluation.

The US Department of Energy is interested in reaping benefits from the solar energy trade exhibit at the US Trade Center in Tehran in May 1978 where interest has certainly been stimulated. It is likely that Iran will do some comparison shopping in other parts of the world on solar energy equipment. This is an example of a difficult competitive area because France and Germany often subsidize the software technical follow-on related to their commercial sales.

In both the scientific and promotional responsibilities of the Science Attache, the typical difficulty of obtaining reliable information exists. In large measure this is due to a tradition of secrecy in Iran. The US continues to hold the lead in sales and services in the high technology area.

The Science Attache has had recent experience in the OES Bureau and twenty years of experience in industry, which has been very helpful in his dealings with US industrial visitors. Although in Iran barely two months, the Attache is making an important contribution to the Embassy. It is expected that this will continue to grow. Changing his title to Counselor would enhance his position in the status and access conscious Iranian scientific and academic community. (Recommendation 11-1) Eventually he may need a full-time assistant.

RECOMMENDATION

11-1. Embassy Tehran should request from the Department (DGP/PER) a change in title for the Scientific Attache to that of Counselor for Science and Technology.

Kenneth N. Rogers
Inspector

Charles T. Cross
Senior Inspector

۱۴۴ ـــ

پیشنهاد

۱۱ ـ ۱. سفارت امریکا در تهران باید از وزارت امور خارجه درخواست نماید که عنوان وابسته علمی را به مشاور امور علمی و تکنولوژی تغییر دهد.

کنت ان. راجرز
بازرس

چارلز تی. کراس
بازرس ارشد